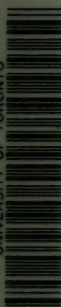


FREE TRADE A FAILURE
FROM THE FIRST

THOMAS PENN GASKELL



UNIVERSITY OF TORONTO

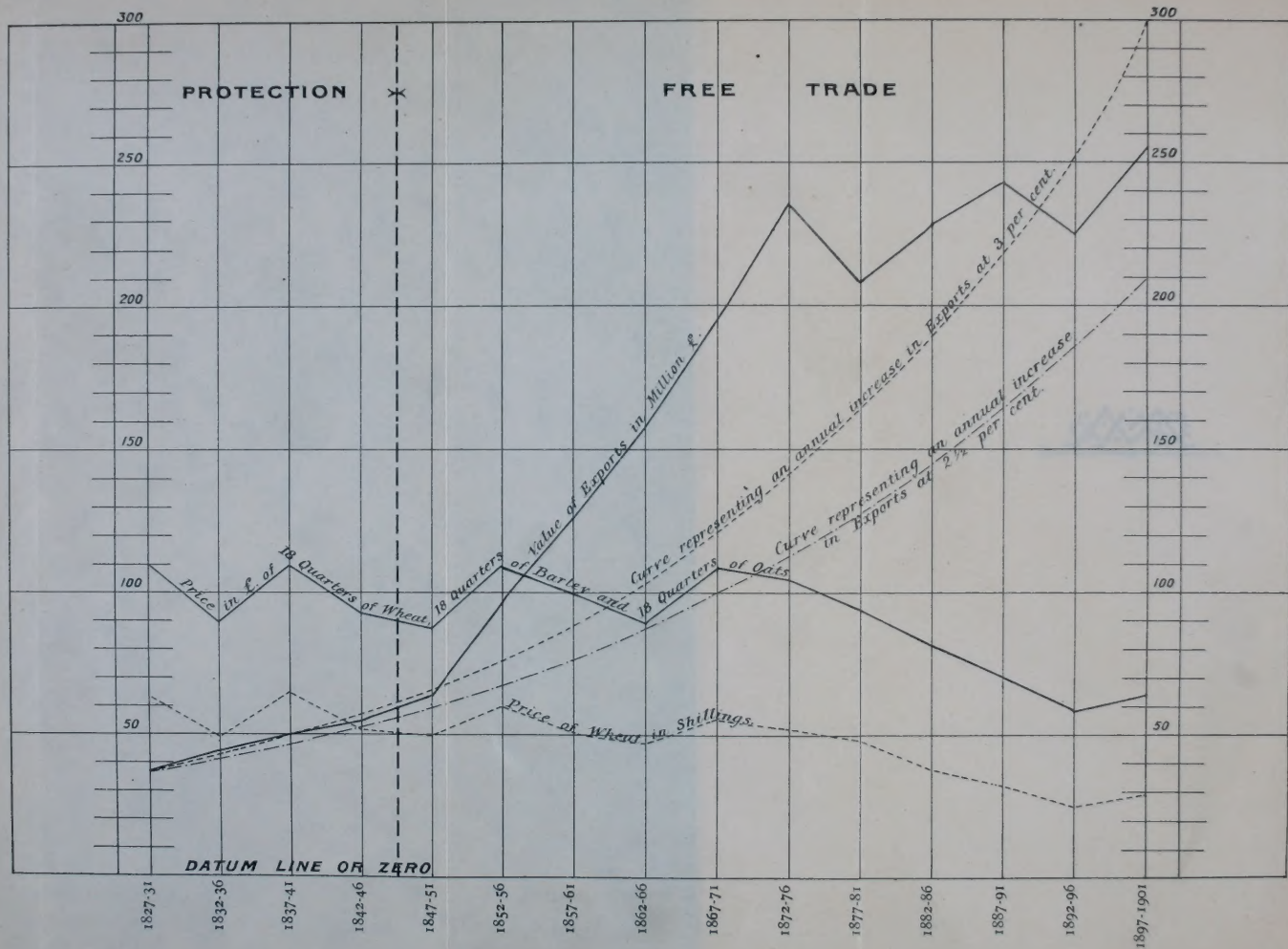


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FREE TRADE A FAILURE FROM THE FIRST



DIAGRAM A.



Note.—The Quinquennial Averages for Values and Prices are taken in all cases.
The Vertical Lines represent the middle of the Quinquennial Period.

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FREE TRADE A FAILURE FROM THE FIRST

BY

THOMAS PENN GASKELL

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MEMBER OF THE LONDON COUNTY COUNCIL.

61418
25.11.04

London

MACMILLAN AND CO., LIMITED

NEW YORK: THE MACMILLAN COMPANY

1903

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PREFACE

IN making this small contribution to the mass of literature already published on the great Fiscal Policy sketched out by Mr. Chamberlain in his historic speech at Birmingham on 15th May 1903, I have endeavoured to confine myself, as far as possible, to matters which have not (to my knowledge) been brought prominently before the public. Particularly has this been my object in the examination of the conditions prevailing in the United Kingdom near the end of the first half of the nineteenth century, when Sir Robert Peel adopted Mr. Cobden's Free Trade Policy; and also in my analysis of the causes which produced the great commercial expansion that followed, *after an interval of a few years*, the inauguration of this policy.

Brought up in an implicit belief in the virtues and advantages of Free Trade, it was not until ten years ago that I began to have any misgivings as to the truth of the opinions I had held from my youth up. For the last five years I have been convinced that Sir Robert Peel made a great and fatal mistake in 1846, in passing a measure of unrestricted freedom in the

import of cereals; and that it would have been far better for the Empire, both then and now, if the old and almost prohibitive duties on corn (duties which I have no wish to defend) had been replaced by a system of taxation suited to a combined manufacturing and agricultural country, such as Great Britain and Ireland were, and are.

However, it is no good crying over spilt milk, and therefore I am only alluding to the subject because, in endeavouring to show that Free Trade failed, I do not wish to have it laid to my charge that I would have approved a continuance (without reduction) of the excessive corn duties which Sir Robert Peel abolished.

Just at the time (16th September 1903) when I had almost concluded the writing of this little work, the great Board of Trade Blue Book appeared, and therefore to some extent I am curtailing my remarks, it being unnecessary to refer to matters on which full information is there given. One explanation I should like to give as regards setting out the facts and figures relating to the increase of trade, and that is that in all cases I have adopted values and not quantities, for the sake of convenience and to avoid that complexity which would have been involved had I dealt with the many variations in the prices of commodities during the last seventy or eighty years. The method I have followed not only has the advantage of brevity and simplicity, but it is also that usually adopted, and moreover in a

comparison of exports and imports is the only one feasible and complete. I make this statement especially for the reason that, had I attempted to treat the subject on the lines of index numbers, not only should I have added greatly to the length of the book, involving more time and leisure than were at my disposal, but much information not readily obtainable would have been required, and corrections in one direction would have been counterbalanced by inaccuracies in another.

T. PENN GASKELL.

14 VICTORIA STREET, WESTMINSTER, S.W.,

1st October 1903.

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CHAPTER I

A SURVEY OF THE SITUATION IN THE UNITED KINGDOM AT THE TIME OF REPEAL

THERE is a common impression abroad that, until Free Trade was introduced, the social condition of the United Kingdom was that of complete stagnation; but an examination of the figures obtainable shows that after the country had had time to recover from the exhausting effects of its participation in the European wars, which lasted for so many years, and were only terminated by the battle of Waterloo in the middle of 1815, our progress in the arts of peace became rapid and continuous. It will be shown later on that, leaving out of account the decade succeeding Waterloo, the actual annual increase in the value of the trade exports from the United Kingdom for the twenty years ending with 1846 (the year of Sir Robert Peel's Repeal Act) was as great, if calculated on the established basis of the day, as it has been from 1846 to the present time. That is to say, the increase per annum (at compound interest) in our exports abroad has been no greater since Free Trade than it was before Free Trade. This fact is especially remarkable for the reason that there were exceptional causes that would have led one to

expect but little increase in the *value* of exports, even if there were (as was the case) a great expansion in the *quantities* of goods sent abroad. All authorities agree in their records of the time of Repeal being one of extraordinarily low prices, and the very latest, the great Blue Book, published on September 16, 1903, presents as a frontispiece a diagram from which it appears that the average price of commodities was lower in 1849 (when the Repeal Act came into full operation) than was the case in any other year from 1800 to the present day, with the exception of the four years 1894, 1895, 1896, and 1897, the average prices in these four years being only about 1 per cent lower than in 1849. Notwithstanding the fact that in the twenty years preceding Free Trade there was an average fall in prices of about 20 per cent (followed by a rise in five years after Free Trade to the old level), the average increase per annum in the *value* of our exports abroad from 1827 to 1846 was more than $2\frac{1}{2}$ per cent, calculated at compound interest. It was, in fact, this rapid increase in trade that was probably the cause of the formation of the Anti-Corn Law League. Mr. Cobden and those associated with him saw that if England became predominantly a manufacturing country, as was foreshadowed by rapidly increasing trade, the almost prohibitive duties on imported wheat would be a severe check to the owners and workers connected with factories, when the increase of population required large foreign supplies of grain to supplement our home-grown produce, which was, of course, limited by land available for cultivation. The alternatives before the Government of the day were, in

fact, reduced to two (for it was impossible to maintain a duty which might be as much as 23s. a quarter, and which was imposed with a view of preventing the price falling below 64s., a figure fixed unnecessarily high, the object being to ensure a full cultivation of the soil): either to lower the duties to a reasonable point—a course that would have been generally acceptable to agriculturists; or adopt the drastic measure of abolishing the duties altogether. Unfortunately (as I think), the second course was adopted, and England became pledged to a quixotic policy, which has done, as I will attempt later on to show, incalculable damage to ourselves, although it may have (and, no doubt, has) conferred enormous advantages on our competitors in Europe and America.

Directly Free Trade became an established institution it was invoked on all possible occasions when legislation was contemplated, no Bill ever being considered if its enactment would mean the benefit of any class or section of the community at home *to the detriment of the foreigner*, although it could be proved to demonstration that no single individual in the British Isles would be damaged to the extent of a penny. It would appear, however, that at last what has been apparent for more than a generation to the United States, to Germany, to Belgium, and our other rivals, is being borne in by irresistible evidence upon the slow intelligence of the British nation; and we are about to see a conflict between the two sections into which the country is divided that will rival in its bitterness, and will probably outstrip in its consequences, that which

convulsed the United Kingdom nearly sixty years ago.

A condition imposed by the Repeal Act of 1846 was that the duties on imported wheat should be immediately reduced to 10s. a quarter when the price did not exceed 48s., with a proportionate reduction when the price was above this figure. The duties on all other cereals were also at the same time largely reduced, so that the restrictions on grain imports were at once to a great extent removed. In 1847, owing to bad harvests, even the lessened duties were suspended, with the exception of a few days early in the year, and yet to show how greatly the prices of grain were governed by the home supplies at the time, and how little they were influenced by foreign supplies, it may be mentioned that the average Gazette prices of 1847 were the highest of those of the fourteen years 1840 to 1853 inclusive, whilst the total quantity of wheat and flour imported from abroad was only $4\frac{1}{2}$ million quarters. The Repeal Act came into full force early in the year 1849, and thenceforward, with the exception of 1s. a quarter registration duty (abolished in 1869), all corn and flour were imported free. However, for many years after the Repeal Act came into full force the importations of foreign grain were comparatively small, and as no great alteration took place in prices, agriculturists remained prosperous, and the land was cultivated to its full extent.

The lowest annual average Gazette prices of wheat between 1808 and 1883, a range of seventy-five years, of which 1846 (the Repeal year) was the centre, were

in 1835, when the price was 39s. 4d., and in 1851, when the price was 38s. 6d. With these two exceptions, in no year during the seventy-five years did the average Gazette price of wheat fall as low as 40s. a quarter. In 1884, however, there was a record price for over a hundred years, and the average price for the year was 35s. 8d., the price in 1894 being again a record both before and since of 22s. 10d. It is, in fact, the low prices that we have seen since 1883 that have induced the present generation to attach so much importance to the policy which Sir Robert Peel inaugurated, but it seems very difficult to attribute the causes of a fall in the price of wheat (happening concurrently with a fall in the prices of all commodities) to a piece of legislation that took place thirty-seven or thirty-eight years previously.

CHAPTER II

A COMPARISON OF THE PRICES OF FOOD BEFORE AND AFTER REPEAL

THE principal argument used by Free Traders, with regard to the initial benefits following the adoption of the policy which bears their name, is that the Act of 1846 brought about the cheapening of food ; and that cheap food, by causing an improvement in the condition of the working classes employed in our factories, placed them, as well as the masters, in a favoured position, so that great advantages were obtained in competition with the manufactures of other countries. This condition of things, it is contended, led up to the great expansion in the value of our export trade that took place after the middle of the last century.

I will at once deal with this argument, and I think I can easily prove its absurdity by showing *that there was no cheapening of food*, and consequently there can be no truth in the statement that cheap food was the cause of our prosperity. Before 1850 the United Kingdom required the importation of comparatively very little food from abroad, except in cases of bad seasons and harvests. It was, in fact, as I have before said, the home production at the time which mainly

governed the prices of the market. High shipping freights and the heavy cost of inland transit afforded a natural protection to all home products quite apart from artificial tariffs, although without the latter the high level of production at home would not have been secure. There can be no question that the imposition of a duty at the time was at any rate not an unmixed evil to the consumer, as it induced the producer to make the most of his land, so that in cases of good harvests low prices were assured, the farmer being compensated for these low prices by having a market for his enlarged production, which was in no way displaced by imported corn. It can be safely asserted even at the present day that it is the high corn duties in France and Germany, as well as other European countries, that assure the large production of grain in those countries, thus greatly aiding the keeping down of the world's prices. But for these duties, in all probability the output by these nations would be reduced by 30, 40, or even 50 per cent, and the consequent increased demand on the supplies of the United States, Canada, and other corn-growing countries would inevitably raise prices which would be sensibly felt in every State which imported food-stuffs.

I will now proceed to deal with the actual course of prices of wheat and other cereals before Free Trade as compared with the corresponding prices after Repeal. However, as the progress in the export trade of the country was fairly uniform from 1827 to 1851, and it was not till 1852 and afterwards that the values of our exports rose by leaps and bounds, I will compare the

twenty-one years of Protection ending with 1846 with the twenty-one years of Free Trade ending with 1872, when our trade may be said to have reached a summit, for the £256,000,000 in value then exported has only since been equalled in the years 1890, 1900, 1901, and 1902.

Taking wheat, barley, and oats together, and the arbitrary quantity of 18 quarters of each (this quantity being selected for the reason that we start with an initial figure not far removed from the tithe-rent charge, and being approximately £100), we find from the published Gazette prices of English corn that the average for the twenty-one years from 1826 to 1846 inclusive, the period before Free Trade, was £101:11:2, whilst the corresponding figure for the twenty-one years after Free Trade, from 1852 to 1872 inclusive, was £102:6:6, so that instead of the Act of 1846, with its enormous remissions of duties, bringing about a fall in the prices of cereals, there was actually a rise of $\frac{3}{4}$ per cent; and the contention (in and out of season) of Free Traders that the outburst of activity in our exports in the 'fifties and 'sixties was concurrent with a great fall in the value of corn, is absolutely contrary to the fact.

The Free Traders, however, will probably contend that I have no business to bring in the prices of barley and oats, as these cereals are of less importance than wheat. I am most anxious to get on to common ground with them, and therefore will take the case of wheat (including flour) by itself. For the twenty-one years ending with 1846 the average price of wheat in England and Wales was 57s. 5d. per quarter, whilst that for the

twenty-one years 1852-72 was 53s. 10d., thus showing a fall of 3s. 7d. in the Free Trade period as compared with that under Protection. The quantity of wheat imported during the twenty-one years 1852-72 into the United Kingdom, according to the Board of Trade Returns, was 148,031,286 quarters, or an average of nearly 7,050,000 quarters a year, the average in the later years being about double that in the earlier ones. At 3s. 7d. a quarter, which is the utmost Free Traders can claim that Repeal effected during the twenty-one years ending with 1872, the average annual reduction in price on the whole amount of wheat imported works out at £1,263,125. The estimated population of the United Kingdom in the middle of 1862, and the middle of the period under review, was 29,204,958, so that as regards wheat and flour the saving on imported wheat and flour amounted to the sum of *tenpence per head per annum*. On this slender foundation has the reputation of Free Trade been established, and on a mere pin's point has a gigantic structure of national delusion been erected, a delusion only comparable in its absurdity with the Great South Sea Bubble.

I append a diagram (lettered A) showing the quinquennial averages of the prices of wheat in shillings: the cost of 18 quarters of wheat, 18 quarters of barley, and 18 quarters of oats taken together and given in £, and, the value of exports of British and Irish products in £ from 1827 to 1901. I also give a curve showing an average increase in exports of $2\frac{1}{2}$ per cent and another of 3 per cent (both at compound interest), from the first period 1826-31 to the last period 1896-1901.

It will be seen that the rate of increase for the twenty years before Free Trade is rather more than $2\frac{1}{2}$ per cent per annum, and is nearly the same as it continued *on the average* to the present time. It will be noted that as a rule good trade is synchronous with high prices of cereals.

CHAPTER III

FURTHER COMPARISONS OF THE COST OF FOOD BEFORE AND AFTER REPEAL

FREE Traders will probably claim that the effect of the reduction of 3s. 7d. per quarter in the price of wheat for the period 1852-72 as compared with the period 1826-46 should be calculated on the home-grown corn as well as on that imported, and I concede the point, although it is evident that the gain to those consuming is equalised by the loss to those producing, the country being neither richer nor poorer, whilst the benefit to the working man as a consumer has to be set against his loss in wages on account of the diminished demands of the agriculturists for the goods of the manufacturer. During the twenty-one years 1852-72 the largest amount of wheat sold in the English markets in any one year was in 1859, when 5,498,202 quarters were thus sold. Probably, however, the total amount of home-grown wheat and flour consumed as human food in the United Kingdom may fairly be taken for the period 1852-72 at the figure given by Mr. Sauerbeck in the Journal of the Statistical Society, September 1886, and that is 12,000,000 quarters per annum for the years 1859-61. Taking this quantity at

3s. 7d. per quarter, we get a total annual saving to the consumers of £2,150,000. Counting in both imported and home-grown wheat and flour, we have a total annual consumption of 19,050,000 quarters, and a total lessened cost, owing to the reduction in price following Repeal, of £3,413,125, or on a population of 29,204,983 nearly 2s. 4d. per head. I have taken the whole amount of home-grown wheat as going into consumption, although of course there would be grain unfit for food or used for other purposes, such as seed, distilling, etc., which would have to be deducted. On the other hand, I think Mr. Sauerbeck's estimate of the yield as being one of 24 bushels to the acre is too low, the Board of Trade estimate for the ten years 1884 to 1893 being on the average about 29 bushels to the acre. However, Mr. Sauerbeck estimates that in 1859-61 there were 4,000,000 acres under wheat, and this seems to me too high. Taking everything into consideration, probably the calculation I have made of 2s. 4d. per head per annum being the saving in wheat food for the years 1852-72 as compared with 1826-46 is a very fair one. The saving, therefore, may be put broadly as a halfpenny per head per week.

Having met the Free Trader so liberally in the matter of the cost of wheat and flour, he no doubt will permit me to point out how the consumer was affected as regards animal foods, which are at least as important to him as farinaceous foods. I have shown that there was an increase (and not a decrease) in the period following Free Trade in the prices of the three cereals, wheat, barley, and oats, taken jointly; and bearing this

fact in mind it may well be expected (that as barley and oats must have risen in price more than wheat fell) there would be a considerable rise in animal food, barley and oats being important feeding stuffs. According to Mr. Sauerbeck's article, already mentioned, the alterations in the prices of animal foods between the twenty years 1828-47 and the twelve years 1858-66 (which are fairly typical of the two periods brought into comparison) were as follows:—

| | 1828-47. | 1858-66. |
|---|----------|----------|
| Beef (average of Prime and Middling), price in pence per 8 lbs. | 41·5 | 46 |
| Mutton (average of Prime and Middling), price in pence per 8 lbs. | 47 | 53 |
| Pork, price in pence per 8 lbs. | 52 | 51 |
| | | <hr/> |
| Say, average of fresh meat | 46·83 | 50 |

A lower level in Protection prices of 6·3 per cent as compared with Free Trade prices.

| | | |
|---|----|----|
| Bacon (Waterford fine), price in pence per 8 lbs. | 51 | 66 |
|---|----|----|

A lower level of 22·7 per cent in the former compared with the latter prices.

| | | |
|--|-----|-----|
| Butter (Friesland fine), price in shillings per cwt. | 94½ | 113 |
|--|-----|-----|

A lower level of 16·3 per cent in the former compared with the latter prices.

Taking the period 1828-47 as for all practical purposes the same as 1826-46, and the period 1858-66 as fairly representative of the period 1852-72, we can easily arrive at the extra cost to the consumer during the second period as compared with the first, as far as imported foods are concerned.

From the Statistical Abstract I have taken the average imports for the years 1861, 1862, and 1863 as a mean of those for the twenty-one years 1852-72 (my

figures are really under the mark), and I arrive at the following, as an average of the annual value of the imports in question :—

| | | | | | |
|-------------------------------|---|---|---|---|--------------------|
| Oxen, bulls, cows, and calves | . | . | . | . | £1,663,826 |
| Sheep and lambs | . | . | . | . | 618,303 |
| Pork | . | . | . | . | 356,006 |
| Total of meat | | | | | £2,638,136 |
| Bacon and hams | . | . | . | . | 2,189,531 |
| Butter | . | . | . | . | 4,787,550 |
| Cheese, eggs, and lard | . | . | . | . | 3,299,875 |
| Total | | | | | <u>£12,915,091</u> |

As regards the last items it is difficult to get precise figures as to relative prices, but from the Statistical Abstract it would appear that, on the average, comparing the year 1854 with 1869, prices were in the former period 20 per cent lower than in the latter,—an increase of 20 per cent. I therefore think that I cannot be accused of exaggeration (as we know there was a continual rise till 1872) in assuming that the average prices of these commodities were 10 per cent lower for the Protectionist period 1826-46 than they were for the Free Trade period 1852-72.

On the above bases we arrive at the following figures as the decrease in the average annual values of the various animal foods imported in the years 1852-72, had the prices of 1826-46 continued :—

| | | | | | |
|--------------------------|---|---|---|---|-------------------|
| Animals and meat | . | . | . | . | £166,202 |
| Bacon and hams | . | . | . | . | 497,024 |
| Butter | . | . | . | . | 780,371 |
| Cheese, eggs, lard, etc. | . | . | . | . | 329,988 |
| Total | | | | | <u>£1,773,585</u> |

This average annual increase in the cost of imported animal food for the twenty-one Free Trade years 1852-1872, arising from the rise in prices over those ruling in the Protectionist years 1826-46, must be set against the saving in the cost of imported wheat products of £1,263,125. Therefore, instead of the consumer being a gainer in his imported foods (animal as well as vegetable), he was a loser to the extent of £510,460 per annum, the saving of 10d. per head per annum being converted into a loss of 4d. per head per annum.

I now come to what was of far greater importance at the time—the increase in the cost to the consumer of the home-produced animal food. Mr. Sauerbeck estimates that in the years 1859-61 there were in the United Kingdom 8,000,000 head of cattle, 30,000,000 sheep, and 3,500,000 pigs, figures confirmed by later Government Agricultural Returns. Mr. Sauerbeck goes on to estimate that 25 per cent of cattle, 40 per cent of sheep, and 100 per cent of pigs are slaughtered annually; and he takes the weight of the cattle at 600 lbs. per head, 60 lbs. per sheep, and 134 lbs. per pig. At an average price of 6d. per lb. of meat (I have before given the price for the years 1858-66 at $6\frac{1}{4}$ d.) we arrive at a value for the home-produced beef and veal consumed annually in the years 1859-61 of £30,000,000, for the mutton and lamb £18,000,000, and for pork and bacon £11,725,000, or a total of £59,725,000. This amount is the average for the three years 1859, 1860, and 1861; but these years being central in the period 1852-72 it is fair to assume as before that they are an average for

the whole twenty-one years. We have already shown that meat prices for the period 1826-46 were 6·3 per cent lower than for the period 1852-72, so that had the prices of 1826-46 continued there would have been a saving to consumers of £3,762,675.

Now as regards the other home-produced animal foods. Mr. Sauerbeck estimated that in the years 1848-50 the home production of butter was 4·5 times as great as that imported, in 1859-61 the home production was twice as great as that imported, and in 1872-74 it was 1·3 times as great as that imported. It will therefore probably be well within the mark if we assume for the years 1852-72 the home production of butter as twice that imported. The imported butter in value on the average for these years amounted to £4,787,550, and therefore we may assume the annual average value of the home-produced butter to be £9,575,100. As it has already been shown that the price in 1826-46 averaged 16·3 per cent less than in 1852-72, the sum of £1,560,741 represents the average annual amount due to the increase in price in the years 1852-72, as compared with 1826-46.

We have now to consider the value of home-produced cheese, eggs, and lard, and probably it will be fair, as in the case of butter, to assume that it was double that of these commodities that were imported, amounting to £3,299,875. In this case then we get 10 per cent on £6,599,750, or £659,975, as the excess amount annually paid by consumers on home-produced cheese, eggs, and lard as the sum due to the rise in prices from 1826-46 to 1852-72.

Summarising the saving and losses to consumers per annum for the period 1852-72, as compared with 1826-1846, solely due to alterations in prices, we have the following table:—

TABLE NO. 1.

Showing the ANNUAL SAVING and LOSS to CONSUMERS of VEGETABLE and ANIMAL FOODS in the UNITED KINGDOM for the 21 YEARS 1852-72 under FREE TRADE, as compared with the 21 YEARS 1826-46 under the CORN LAWS, accruing from a fall or rise in prices.

| Description of Commodities. | Whether Imported or Home-produced. | Saving in £. | Loss in £. |
|---|------------------------------------|--------------|------------|
| Wheat and Wheat Flour | Imported . . . | £1,263,125 | ... |
| Do. do. | Home-grown . . . | 2,150,000 | ... |
| Meat, Bacon, Butter, Cheese, Eggs, and Lard | Imported . . . | ... | £1,773,585 |
| Meat and Bacon . . . | Home-produced . . . | ... | 3,762,675 |
| Butter . . . | Do. do. . . | ... | 1,560,741 |
| Cheese, Eggs, and Lard | Do. do. . . | ... | 659,975 |
| | Total . . . | £3,413,125 | £7,756,976 |

Therefore the total average net loss to consumers, arising from the generally higher prices of food-stuffs, after the Repeal of the Corn Laws, for the twenty-one years commencing with 1852, amounted to £4,343,851 per annum. On an average population of 29,204,983, the increased cost of the rise in price of food that followed Free Trade was, as nearly as possible, 3s. per head per annum. The figures I have given are sufficient to prove conclusively that Free Trade was not followed by cheapening articles of food, and that therefore the prevalent idea that it was the lowering of food prices, through Free Trade, that caused the

vast expansion in Trade after Repeal, has no foundation in fact.

I now proceed to show the real causes of the great increase in our export trade in the years following the middle of last century.

CHAPTER IV

THE EFFECTS OF SHIPPING AND RAILWAYS ON TRADE AT THE TIME OF REPEAL

PROBABLY the first cause of the great increase of trade that commenced about the time of the Reform Act of 1832, was the rapid augmentation of shipping, followed later by the construction of railways. Without the expansion of these facilities for external and internal communication, it would have been impossible for a large export trade to have been carried on between the United Kingdom and other countries. According to Government Returns, the total tonnage of British Shipping in 1831 was 2,224,356, and in 1851 it was 3,662,344, showing in the twenty years an average annual increase at compound interest of about $2\frac{1}{2}$ per cent. In 1871 the tonnage was 5,694,123, and in the twenty years the average annual increase at compound interest was about $2\frac{1}{4}$ per cent. In 1891 the tonnage was 8,279,297, and in the twenty years the average annual increase was about 2 per cent. In 1901 the tonnage was 9,608,420, and the average annual increase in the ten years at compound interest was about $1\frac{1}{2}$ per cent. It will therefore be seen that the increase was more rapid in the twenty years ending shortly after

Repeal than it has been since, and the progress thus shown placed the country in a most favourable position as regards the trade which might be expected to follow.

However, the inauguration of railways was a still more important factor in the development of the trade of the United Kingdom than the increase of shipping, or in fact than any other preceding event. It is probably no exaggeration to say that goods can be carried over five miles by railway as cheaply as they can one mile by horse traction on an ordinary road, and therefore the facilities afforded by railways not only greatly cheapened the cost of the transit of raw materials and goods to and from the factories, but in many cases opened up sources of trade that before had been impossible on account of the cost of carriage. Before railways the only facilities for internal carriage besides the ordinary roads were afforded by canals, and that the few of these that existed were not nearly as useful as railways, is proved by the fact that, as the railway system became developed, many of the canals went out of use.

In 1830 the railway from Manchester to Liverpool was opened for traffic. At the end of 1844 there had been constructed in the United Kingdom 2240 miles of railway, the total capital expenditure up to the middle of that year having been £63,482,100. In addition to the lines constructed, 3200 miles of railway were in construction or authorised. At the end of 1847 the length of line opened was 3424 miles, and the total capital expenditure was £109,528,000 in the middle of that year. Approximately, therefore, we may take it that when Sir Robert Peel passed his Act abolishing the

Corn Laws, only about 3000 miles of railway were in operation, and the capital expended was £100,000,000.

At the time of Repeal the construction of railways was proceeding at a much faster rate than it had ever done before, 839 miles being opened for traffic in 1847 and 975 miles in 1848. It is most convenient for Free Traders to ignore these facts, although in all probability, where the railways caused an increase of our trade by pounds, Free Trade did not influence it by as many pence. At the end of 1902 the length of line operated in the United Kingdom was 22,152 miles, and the capital expenditure on railways was the gigantic sum of £1,216,861,421, so that since Repeal it may be said that the length of the railway system in the United Kingdom has increased over sevenfold and the capital over twelvefold. The mere recital of the history of our railways is sufficient evidence of the progress of that trade, for the development of which these railways are in the main constructed.

In the next chapter I come to a far more important (in my opinion) factor in the impetus given to trade expansion than even was the case in the development of our Railway system.

CHAPTER V

THE EFFECT OF THE GREAT GOLD DISCOVERIES IN CALIFORNIA AND AUSTRALIA, AT THE MIDDLE OF THE NINETEENTH CENTURY, ON THE TRADE OF THE UNITED KINGDOM.

THERE is a fascination about everything connected with gold that is unique, and from time immemorial the influence of this metal has been paramount. From the date of the decline (a period subsequent to the reign of the Stuarts) of that spirit of enterprise of which Sir Walter Raleigh was so conspicuous an example, the world's production of gold remained at a very low ebb until about the year 1840, when the United States began conspicuously to assert its claim to be one of the most progressive nations of ancient or modern times. For the sixty years from 1780 to 1840, according to Mr. Soetbeer, the annual production of gold in the world averaged only £2,250,000 sterling in value. For the last ten years of the first half of the nineteenth century, considerable developments of the gold industry took place in the United States, and in 1849 the great Californian discovery was made. It has been estimated that for the ten years ending with 1850 the world's production of gold amounted to about

£75,000,000, or an average of £7,500,000 a year, being at a rate over three times greater than that for the preceding sixty years. In 1850 the great discovery in Australia took place, and the output from these gold-fields, combined with those of California, became enormous. For the five years 1851-55 the average annual production of gold in the world was of the value of £27,000,000, and for the next five years over £28,000,000. This great output caused serious misgivings to arise amongst some economists, M. Michael Chevalier and Mr. Cobden being the most conspicuous in expressing their opinions (as I well remember) that the large increase in the supply of gold was bound to cause an undue inflation in the prices of commodities, and the consequent infliction of serious hardship to many, although enormous gains might be made by others. That the production of gold did exercise considerable influence over prices is evident from the various charts that have been published—Mr. Sauerbeck, for instance, showing, by his index numbers of wholesale prices of the principal commodities, that it took £105 in 1857 to purchase as much as could have been obtained for £74 in 1849. It is certain that the fact that there was a large increase in the values of manufactures (apart from any increase in the quantities), meant a great addition to the profits of the manufacturers, and a very considerable rise in the wages of the workmen. These results were followed, as might have been expected, by a great expansion in the building of new factories, a large addition to the quantities of articles manufactured, and increased consumption both at home

and abroad. Each year that followed added to the stimulating effect through its output of gold, and progress continued, with two serious but temporary interruptions—the first being the crisis of 1857, when several banks failed; and the second, that caused by the Overend and Gurney smash of 1866. For the ten years 1861-70 the world's output of gold averaged nearly £26,000,000 per annum, from which time there was a gradual shrinkage in the output, till in the five years 1881-85 the annual average value of the gold produced was only about £20,000,000. The Transvaal gold discoveries in 1885 and 1886 restored the industry, and there has since been a rapid increase in the annual output, which to-day is at the rate of over £60,000,000 a year. Mr. Soetbeer estimates (under reserve) the amount of metallic money (gold) in circulation in the world (excluding Eastern Asia), at £167,000,000 in 1850, £395,000,000 in 1860, and £536,000,000 in 1870. It needs no words to show how great must have been the influence on trade of a trebling, in the short space of twenty years, of the gold circulation of the world.

Having dealt with the general influences of the great gold discoveries of 1849 and 1850, I will now point out, in detail, a much less important matter, the effects on the trade of the United Kingdom with those countries where these gold discoveries took place. It may be stated, Tables Nos. 2, 3, and 4 would have been even more striking than they are, if it had been possible to separate California from the United States and Victoria from the rest of Australia.

EFFECT OF GOLD DISCOVERIES ON EXPORTS OF BRITISH AND IRISH PRODUCTS FROM UNITED KINGDOM.

TABLE No. 2.

Gold Discoveries in California in 1849.

| Value of Exports from U.K. to the United States before Discovery. | | Value of Exports from U.K. to the United States after Discovery. | |
|---|-------------|--|-------------|
| Year. | Value in £. | Year. | Value in £. |
| 1845 | £7,142,839 | 1850 | £14,891,961 |
| 1846 | 6,830,460 | 1851 | 14,362,976 |
| 1847 | 10,974,161 | 1852 | 16,567,737 |
| 1848 | 9,564,909 | 1853 | 23,658,427 |
| 1849 | 11,971,028 | 1854 | 21,410,369 |
| Total <u>£46,483,397</u> | | Total <u>£90,891,470</u> | |
| Average <u>£9,296,679</u> | | Average <u>£18,178,294</u> | |

Average increase per cent after gold discovery, 94·5.

TABLE No. 3.

Gold Discoveries in Australia in 1850.

| Value of Exports from U.K. to Australia. | | Value of Exports from U.K. to Australia. | |
|--|-------------|--|-------------|
| Year. | Value in £. | Year. | Value in £. |
| 1845 | £1,201,076 | 1850 | £2,602,253 |
| 1846 | 1,441,640 | 1851 | 2,807,356 |
| 1847 | 1,644,170 | 1852 | 4,222,205 |
| 1848 | 1,463,837 | 1853 | 14,513,700 |
| 1849 | 2,080,469 | 1854 | 11,931,352 |
| Total <u>£7,831,192</u> | | Total <u>£36,076,866</u> | |
| Average <u>£1,566,298</u> | | Average <u>£7,215,373</u> | |

Average increase per cent after gold discovery, 360·6.

TABLE No. 4.

| Value of Exports from U.K. to Rest of World except United States and Australia. | | Value of Exports from U.K. to Rest of World except United States and Australia. | |
|--|--------------|--|--------------|
| Year. | Value in £. | Year. | Value in £. |
| 1845 | £51,767,067 | 1850 | £53,873,671 |
| 1846 | 49,514,776 | 1851 | 57,278,390 |
| 1847 | 46,224,046 | 1852 | 57,286,912 |
| 1848 | 41,820,699 | 1853 | 60,761,654 |
| 1849 | 49,544,528 | 1854 | 63,843,005 |
| Total | £238,871,116 | Total | £293,043,632 |
| Average | £47,774,223 | Average | £58,608,726 |

Average increase per cent after gold discoveries, 22·7.

Note.—Tables Nos. 2, 3, and 4 are graphically illustrated by Diagram B.

A careful study of the above Tables is interesting. In the first place it will be seen that a considerable increase was going on in the exports to the United States, even before the great gold discovery in California in 1849. This was no doubt due to the fact already pointed out, that after 1840 a very considerable increase in the gold production in the United States took place, and the Californian discovery was really only a consummation of the smaller discoveries that were happening from day to day. It is owing in part to this state of things that the increase of exports from this country to the States is relatively much smaller than in the case of Australia. In the Australian figures it will be noted how extraordinarily rapid was the increase of exports from the United Kingdom that followed on the gold discoveries. As regards the exports from the United Kingdom to all the rest of the world except

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the United States and Australia, it will be seen that in the five years 1845-49, by far the best year of all was the first, the one before the introduction of Free Trade, and it was only due to the fact that our exports, except those to the States and Australia, were so low for the first two or three years after Repeal, that the increase in the five years 1850-54 was as great as is shown. However, even giving Free Trade all the credit possible, and ignoring its failure in these its first years, it appears that, comparing the years 1845-49 with those of 1850-54, the value of our exports to all the rest of the world except the United States and Australia showed an increase on £47,774,223 of £10,834,503, or less than 23 per cent, whereas, on account of the gold discoveries in the two countries mentioned, our exports to them showed an increase on £10,862,977 of £14,530,690, or 134 per cent.

It may be said that the cases of the gold discoveries in California and Australia are exceptional, and therefore I will bring in the figures applicable to the other great gold discoveries that have taken place since Repeal. Unfortunately I am not able to quote any statistics with reference to the Klondyke gold discoveries five or six years ago, for the reason that the supplies for the miners and others on the goldfields were almost entirely obtained from the United States. I will now instance the case of the Transvaal gold discoveries, first of all pointing out that one can only show the results of these discoveries by seeing the effect on our export trade to Cape Colony and Natal, as nearly all of the Transvaal trade was done through these colonies.

TABLE No. 5.

Gold Discoveries in the Transvaal, 1885 and 1886.

EXPORTS TO CAPE OF GOOD HOPE AND NATAL.

| Value of Exports from U.K. before Discovery. | | Value of Exports from U.K. after Discovery. | |
|--|--------------------|---|--------------------|
| Year. | Value in £. | Year. | Value in £. |
| 1882 | £7,495,554 | 1887 | £5,003,560 |
| 1883 | 4,556,784 | 1888 | 5,937,770 |
| 1884 | 4,102,281 | 1889 | 8,998,975 |
| 1885 | 3,825,355 | 1890 | 9,128,164 |
| 1886 | 3,313,985 | 1891 | 7,957,878 |
| Total | <u>£23,293,959</u> | Total | <u>£37,026,347</u> |
| Average | £4,658,792 | Average | £7,405,269 |

Average increase per cent after gold discovery, 58·9.

TABLE No. 6.

| Value of Exports from U.K. to Rest of World except the Cape and Natal. | | Value of Exports from U.K. to Rest of World except the Cape and Natal. | |
|--|-----------------------|--|-----------------------|
| Year. | Value in £. | Year. | Value in £. |
| 1882 | £233,971,608 | 1887 | £216,910,350 |
| 1883 | 235,242,768 | 1888 | 228,597,142 |
| 1884 | 228,922,961 | 1889 | 239,936,210 |
| 1885 | 209,289,759 | 1890 | 254,402,421 |
| 1886 | 209,411,215 | 1891 | 239,278,272 |
| Total | <u>£1,116,838,311</u> | Total | <u>£1,179,124,395</u> |
| Average | £223,367,662 | Average | £235,824,879 |

Average increase per cent after gold discovery in Transvaal, 5·6.

It will be seen from the above figures that whereas in the five years after the gold discoveries there was shown on the previous average export from the United

Kingdom to the Cape and Natal of £4,658,792 an increase of £2,746,477, or just 59 per cent, there was in the case of all the rest of the world on £223,367,662 an increase of £12,457,217, or only $5\frac{1}{2}$ per cent. It should be mentioned that in the case of the Transvaal there is no doubt that the results would have been much more striking had it been possible to enumerate those exports that were specially designated for the Transvaal, and not have them mixed up with those retained in Cape Colony and Natal. It must be stated that the returns of 1882 were affected by the Kimberley diamond discoveries.

I propose now to tabulate the figures for West Australia in connection with the gold discoveries of 1892 and 1893; and this is really the most typical of any of the cases I have given, on account of the absence of any connection with other countries or colonies, as was the case especially with the Transvaal.

TABLE No. 7.

Gold Discoveries in West Australia, 1892 and 1893.

| Value of Exports from U.K. to West Australia. | | Value of Exports from U.K. to West Australia. | |
|---|-------------|---|-------------|
| Year. | Value in £. | Year. | Value in £. |
| 1889 | £350,678 | 1894 | £589,754 |
| 1890 | 464,209 | 1895 | 987,004 |
| 1891 | 591,958 | 1896 | 2,307,614 |
| 1892 | 525,197 | 1897 | 2,348,847 |
| 1893 | 525,131 | 1898 | 1,755,780 |
| Total | £2,457,173 | Total | £7,988,999 |
| Average | £491,425 | Average | £1,597,799 |

Average increase per cent after gold discovery, 225.

TABLE No. 8.

| Value of Exports from U.K. to Rest of World except West Australia. | | Value of Exports from U.K. to Rest of World except West Australia. | |
|--|-----------------------|--|-----------------------|
| Year. | Value in £. | Year. | Value in £. |
| 1889 | £248,584,517 | 1894 | £215,415,883 |
| 1890 | 263,066,376 | 1895 | 225,141,242 |
| 1891 | 247,235,150 | 1896 | 237,837,937 |
| 1892 | 227,077,053 | 1897 | 231,870,861 |
| 1893 | 218,259,718 | 1898 | 231,603,460 |
| Total | <u>£1,204,222,814</u> | Total | <u>£1,141,869,383</u> |
| Average | £240,844,563 | Average | £228,373,877 |

Average decrease per cent after gold discovery, 5·2.

Diagram C illustrates Tables Nos. 5, 6, 7, and 8.

Thus it would appear that whilst to West Australia after the gold discovery there was an annual increase on £491,425 of £1,106,374, or 225 per cent, at the same time, with regard to all the rest of the world, there was on the basis of £240,844,563 an actual decrease of £12,470,686, or 5·2 per cent.

There has only been one other great gold discovery besides those mentioned since the Repeal of the Corn Laws, and that is in West Africa. A very considerable increase of our exports to our West African colonies has taken place during the last two or three years since the discovery, an increase proportionately much greater than that to the rest of the world, but it is scarcely worth while tabulating the results. A careful inspection of the tables I have just given will, I think, without further evidence, convince any one that our export trade has enormously benefited, directly by the shipments made in

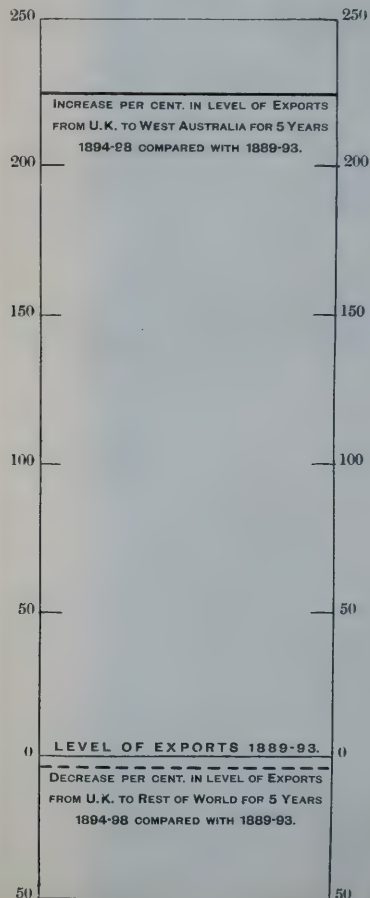
DIAGRAM C.

ILLUSTRATING EFFECTS OF GOLD DISCOVERIES
IN TRANSVAAL AND WEST AUSTRALIA
ON EXPORTS FROM UNITED KINGDOM.

TRANSVAAL.



WEST AUSTRALIA.



developing the mines and in exchange for the gold produced, but also indirectly by the general impetus given to commerce by the circulation of the precious metal obtained. The indirect benefit, as I have already said, I consider far greater in magnitude than that which is direct, but unfortunately the greater benefit cannot be measured with exactness, as is the case with the smaller one.

I have placed before my readers evidence to show that Free Trade had little or nothing to do with the country's prosperity as shown by the large increase in the value of exports that took place in the third quarter of the nineteenth century ; but that the real causes that produced these results were mainly the rapid construction of our Railway system and the gold discoveries in California and Australia. I propose now to examine in detail the figures relating to the trade of the United Kingdom for the seventy-five years from 1827 to 1902.

CHAPTER VI

QUINQUENNIAL AVERAGES OF VALUES OF EXPORTS OF BRITISH AND IRISH PRODUCTS FROM THE UNITED KINGDOM FROM 1827 TO 1901 INCLUSIVE.

IN dealing with the exports (imports will be treated in the same way), it is proposed to divide them into three classes, the first class being those countries which will be designated as "Competitive," because they not only put on protective duties, but also from the fact that they are in keen competition with the United Kingdom in the export of manufactured articles produced under this protection. The countries included under this category are Germany, Holland, and Belgium (the Blue Books point out that the trade of these three countries cannot well be separated), as well as France and the United States. The second class embraces all the remaining foreign countries, and although some of these are partially competitive, and will become more so in the future, their competition is at present not nearly so inimical to the interests of our manufacturers as is the case with those in the first class. This second class I designate "Neutral" foreign countries. The third and last class comes under the name of "British Possessions."

I propose, in the first instance, to give the average

annual values of the respective quinquennial periods for the first class or competitive countries, taking the four European countries of Germany, Holland, Belgium, and France together, the United States by itself, and then the total of the whole five countries. Subsequently I shall give a Table of the three classes—competitive, neutral, and British possessions, and also the total values of the exports to all countries.

For the years 1899, 1900, 1901, and 1902, the value of ships built in the United Kingdom and sent abroad, has been included in the Board of Trade Returns, but this has never been done before, and therefore, in order to afford a fair comparison between the several years, I have excluded the item of ships entirely.

TABLE No. 9.

Annual Average Values of Exports from the United Kingdom in
Million £ to Competitive Countries.

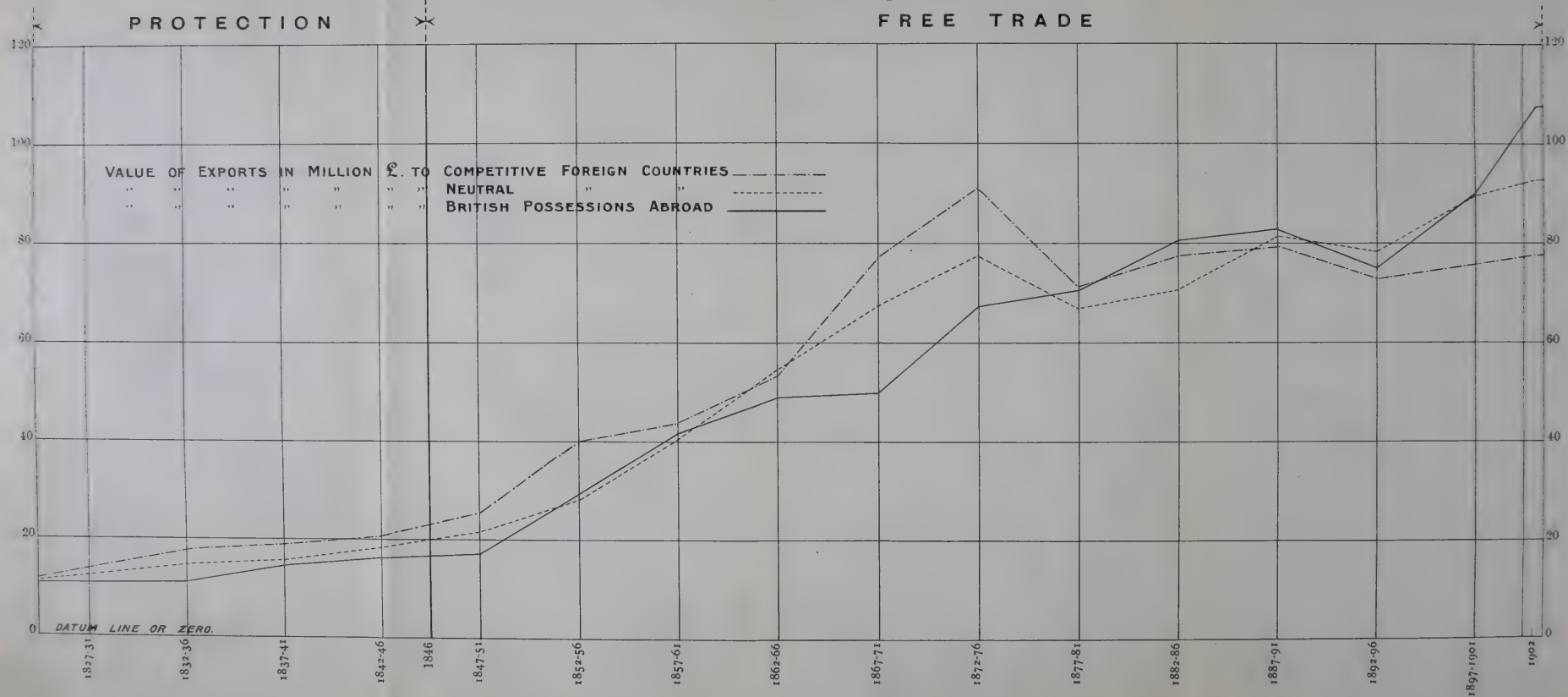
| Quinquennial Period. | Four European Countries. | United States. | Total Competitive Countries. |
|----------------------|--------------------------|----------------|------------------------------|
| 1827-31 | 7·097 | 6·567 | 13·664 |
| 1832-36 | 9·102 | 8·577 | 17·678 |
| 1837-41 | 12·131 | 6·700 | 18·832 |
| 1842-46 | 14·278 | 6·091 | 20·370 |
| 1847-51 | 12·959 | 12·353 | 25·313 |
| 1852-56 | 19·553 | 20·174 | 39·726 |
| 1857-61 | 26·385 | 17·352 | 43·739 |
| 1862-66 | 34·076 | 19·222 | 53·298 |
| 1867-71 | 50·929 | 26·089 | 77·019 |
| 1872-76 | 62·580 | 28·251 | 90·831 |
| 1877-81 | 48·779 | 22·381 | 71·161 |
| 1882-86 | 50·920 | 26·318 | 77·238 |
| 1887-91 | 49·289 | 29·670 | 78·959 |
| 1892-96 | 48·992 | 23·535 | 72·527 |
| 1897-1901 | 57·498 | 18·334 | 75·832 |
| 1902 | 53·645 | 23·760 | 77·405 |

An examination of the above figures shows that the values of the exports to the four European countries increased from the quinquennial period ending in 1831 to the quinquennial period ending in 1846 (that is to say, in fifteen years) by more than 100 per cent, and this was all under Protection. In the fifteen years from the quinquennial period ending with 1846 (that is to say, for the period ending in 1861) the increase was less rapid, being about 84 per cent; so that here the fifteen years of Free Trade were considerably less marked by progress than in the case of the fifteen years of Protection. In the next fifteen years (that is to say, from the period ending in 1861 to the period ending in 1876) the progress was very rapid, being 136 per cent. In 1872-76, however, high-water mark was reached, the results being considerably lower in the subsequent five quinquennial periods down to that ending in 1901. In the case of the United States it will be seen that the exports from the United Kingdom made no progress whatever during the twenty years of Protection; but that in the ten years after 1846 (that is, until the year 1856) there was a very rapid increase in the value of the exports, the amounts being £6,091,000 per annum for 1842-46, and £20,174,000 for 1852-56, the great rise no doubt being due, as has already been pointed out, to the gold discoveries in California. From 1856 there were various fluctuations in the exports to the United States, the figure for the annual average for the five years 1872-76 being £28,251,000; and for the five years 1897-1901 it was £18,334,000, or considerably less than for the five years 1852-56. I will deal with the totals

DIAGRAM D.

ILLUSTRATING TABLE No. 10.

Based on Quinquennial Averages.



in the last column when commenting on the next Table.

TABLE No. 10.

Annual Average Values of Exports from the United Kingdom in Million £ to Competitive Foreign Countries, Neutral Foreign Countries, and British Possessions, and also the Total Values from 1827 to 1901.

| Quinquennial Period. | Competitive Foreign Countries. | Neutral Foreign Countries. | British Possessions. | Total. |
|----------------------|--------------------------------|----------------------------|----------------------|---------|
| 1827-31 | 13·664 | 12·445 | 10·946 | 37·055 |
| 1832-36 | 17·678 | 14·880 | 11·143 | 43·702 |
| 1837-41 | 18·832 | 15·744 | 15·103 | 49·681 |
| 1842-46 | 20·370 | 18·387 | 16·472 | 55·229 |
| 1847-51 | 25·313 | 21·703 | 17·205 | 64·221 |
| 1852-56 | 39·726 | 27·951 | 29·465 | 97·142 |
| 1857-61 | 43·739 | 40·391 | 41·886 | 126·016 |
| 1862-66 | 53·298 | 54·578 | 49·265 | 157·141 |
| 1867-71 | 77·019 | 67·470 | 50·156 | 194·645 |
| 1872-76 | 90·831 | 77·205 | 67·023 | 235·057 |
| 1877-81 | 71·161 | 66·554 | 70·356 | 208·071 |
| 1882-86 | 77·238 | 70·220 | 80·569 | 228·027 |
| 1887-91 | 78·959 | 81·027 | 83·243 | 243·229 |
| 1892-96 | 72·527 | 78·219 | 74·781 | 225·527 |
| 1897-1901 | 75·832 | 89·618 | 89·721 | 255·171 |
| 1902 | 77·405 | 92·443 | 107·704 | 277·552 |

Diagram D illustrates the above Table graphically.

It will be seen from the above Table that as regards the values of the exports to competitive foreign countries there was an increase of rather less than 50 per cent in the fifteen years (under Protection) from the quinquennial period ending in 1831 to that ending in 1846. For the next fifteen years (under Free Trade), from the quinquennial period ending in 1846 to that ending in 1861, there was an increase of as much as 125 per cent, whilst for the following fifteen years, to the quinquennial period ending in 1876, the increase

was 86 per cent. During the five years ending with 1876, high-water mark was reached in the value of the exports to competitive foreign countries, there being a reduction of 12 per cent in the succeeding five years ending in 1881, and since 1881 the average level of the values of the exports has been somewhat higher than for 1877-81, but a great deal lower than for 1872-76. If worked out at compound interest the average annual increase from 1827-31 to 1842-46 (Protection) was considerably more rapid than from 1842-46 to 1897-1901 (Free Trade), although there can be little doubt that until quite lately, the almost universal opinion was that our export trade was almost stagnant until Sir Robert Peel introduced his Free Trade measures.

As regards the second class of our exports, those to foreign countries which are not competitors, or at any rate not keen competitors, of the United Kingdom, in the export of manufactured goods, the results shown are much more satisfactory. The increase in the first fifteen years (Protection) 1827-31 to 1842-46 was again about 50 per cent, in the next fifteen years (Free Trade) to 1857-61 the increase in the value of exports was about 120 per cent, in the next fifteen years to 1872-76 it was about 90 per cent, in the next fifteen years to 1887-91 it was 5 per cent, and in the last ten years from 1887-91 to 1897-1901 it was 10 per cent. The increase since Free Trade was inaugurated, taking the whole period from 1842-46 to 1897-1901 and at compound interest, has been more rapid, but very little more rapid than was the case for the time under the Corn Laws, 1827-31 to 1842-46.

Coming now to the third class of exports, those to British possessions, we get the most gratifying figures of all, figures which should support all advocates of Imperial unity. The values in this third class of exports curiously enough show almost identical results as regards the Protectionist period (1827-31 to 1842-46) as in the case of the other two classes, the increase in value in the fifteen years being a very little over 50 per cent. In the next fifteen years (Free Trade) to 1857-61 the increase was far more conspicuous (owing, partly, to the gold discoveries in Australia) than in either of the other two classes, and amounted to 155 per cent; in the next fifteen years to 1872-76 it was exactly 60 per cent, in the next fifteen years to 1887-91 it was 24 per cent, and in the last ten years from 1887-91 to 1897-1901 the increase was $7\frac{1}{2}$ per cent.

Comparing the results of the three classes into which I have divided the export trade of the United Kingdom, we can form a fair opinion of the effects of the Free Trade Policy of England and the Protectionist Policy of other countries, so far as they affect the interests of our own people who are engaged in manufacture and commerce. In order to form a better impression of the results established, at what I may call the crucial periods of trade during the last seventy-five years, I append a little table to show the proportion to the whole that the value of the exports of each of the three classes bore in 1827-31, 1842-46 (end of Protection period), in 1847-1851 (commencement of Free Trade), in 1872-76 (the period of our greatest prosperity), and in 1897-1901.

TABLE No. 11.

| Quinquennial Period. | Percentage of Value of Exports to Competitive Foreign Countries. | Percentage of Value of Exports to Neutral Foreign Countries. | Percentage of Value of Exports to British Possessions. | Total. |
|----------------------|--|--|--|--------|
| 1827-31 | 36·87 | 33·59 | 29·54 | 100 |
| 1842-46 | 36·88 | 33·30 | 29·82 | 100 |
| 1847-51 | 37·47 | 34·88 | 27·65 | 100 |
| 1872-76 | 38·64 | 32·84 | 28·52 | 100 |
| 1897-1901 | 29·72 | 35·12 | 35·16 | 100 |
| 1902 | 27·88 | 33·31 | 38·81 | 100 |

The above Table is graphically illustrated by Diagram E.

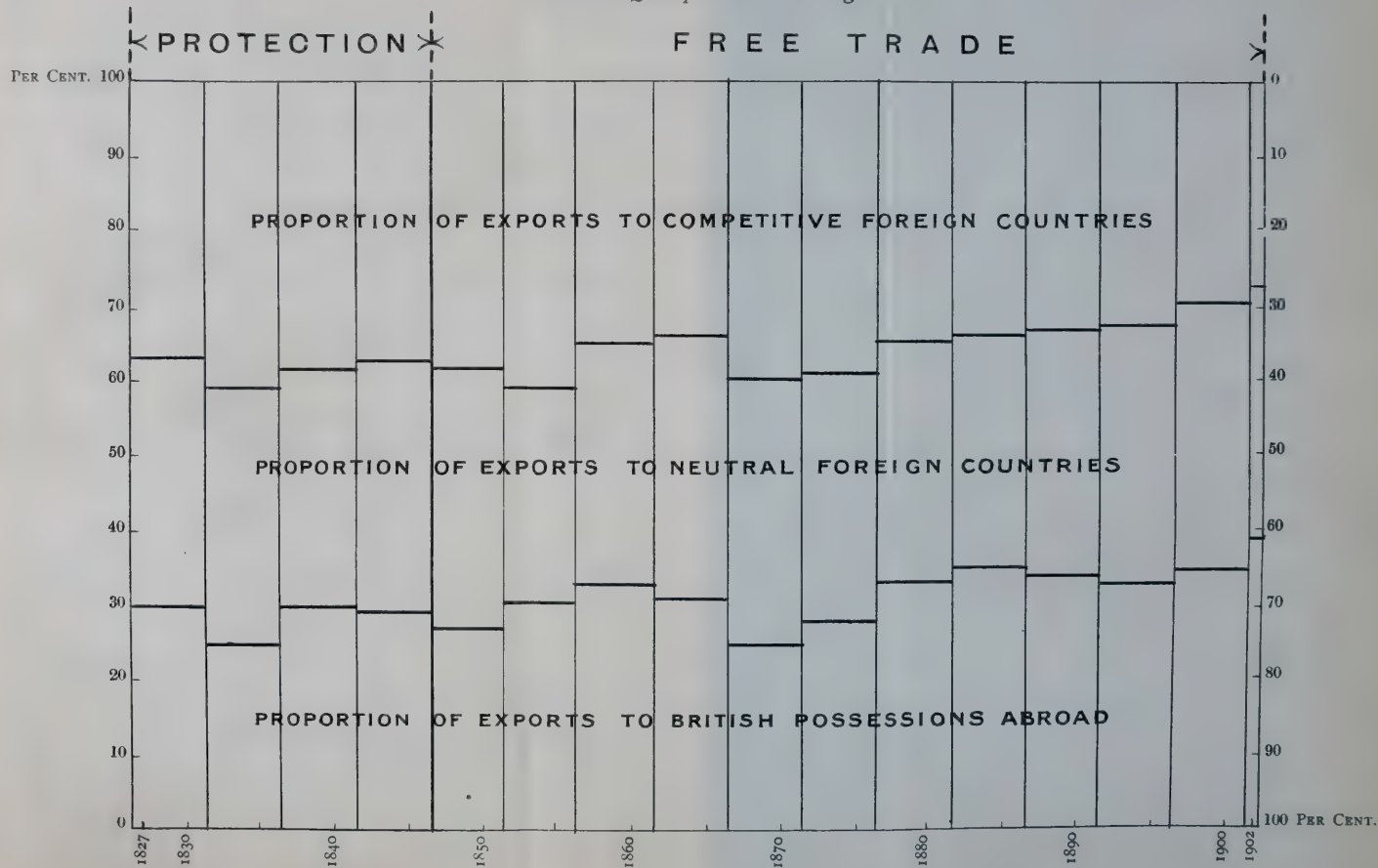
It will be seen from the above Table that the values of the exports, in the three classes into which I have divided them, showed extremely small changes as regards the relative values attached to each during the period when the Corn Laws were in existence. In the next five years, after Free Trade had come into operation, the third class lost ground considerably, the first and second classes both improving their position. Twenty-five years later (that is to say, for the quinquennial period 1872-76), the position of the first class still further improved; the position of the second class, as compared with the other two, went back and became worse than it had been at any of the other periods; and the position of the third class improved, but not sufficiently to equal that which it held during the Protection periods. At the time of the last quinquennial period the relative positions of the three classes become greatly changed: the third class relating to the exports to British possessions, instead of being last by a long way as it had been from the beginning, takes the highest place, being closely

DIAGRAM E.

ILLUSTRATING TABLE No. 11.

RESPECTIVE PROPORTION OF VALUES OF EXPORTS TO COMPETITIVE AND
NEUTRAL FOREIGN COUNTRIES AND BRITISH POSSESSIONS.

Based on Quinquennial Averages.



THE UNIVERSITY OF CHICAGO

THE DIVISION OF THE PHYSICAL SCIENCES

DEPARTMENT OF CHEMISTRY

RESEARCH REPORT

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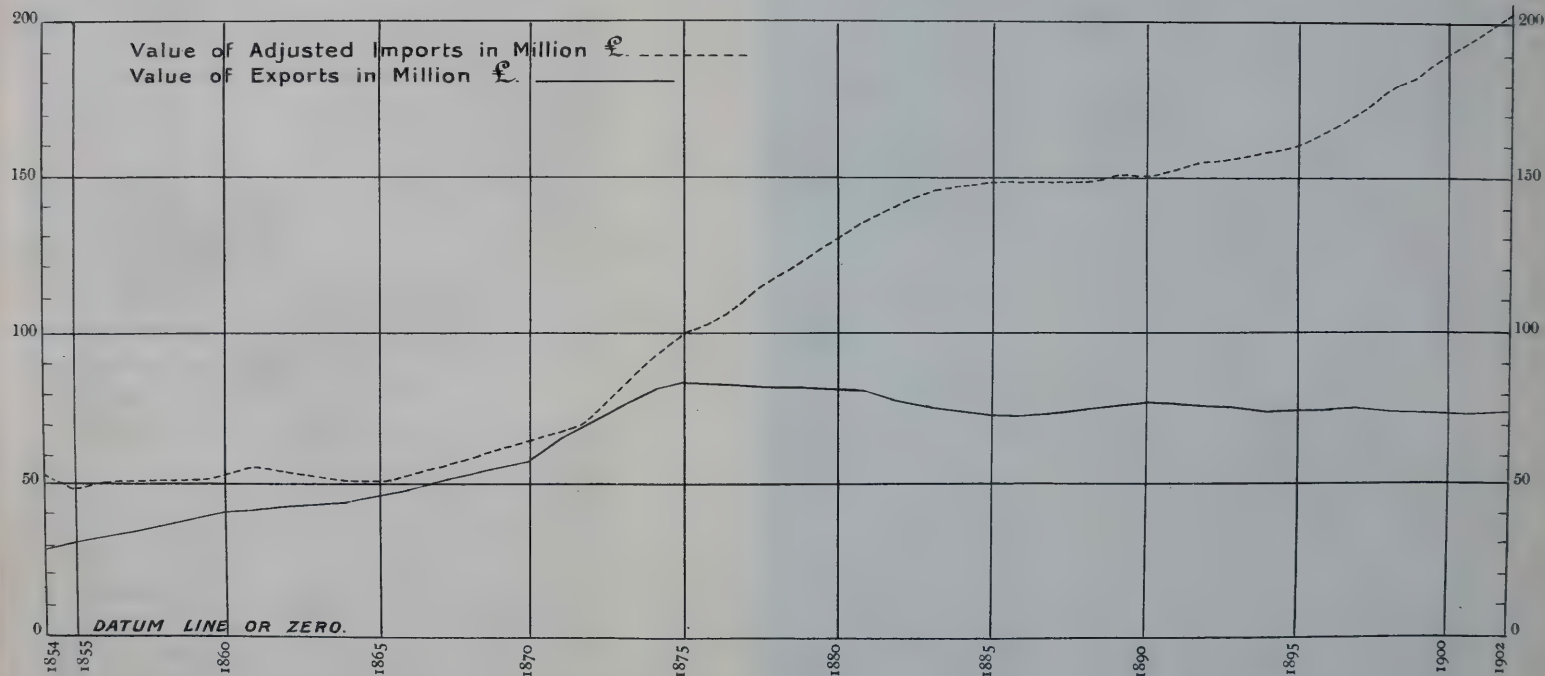
1967

DIAGRAM F.

ILLUSTRATING TABLE No. 11.

EXPORTS AND ADJUSTED IMPORTS
TO AND FROM COMPETITIVE FOREIGN COUNTRIES.

Based on Continuous Decennial Averages.



followed by the second class, relating to the exports to non-competitive or neutral foreign countries, and which continues to hold the middle position as from the first; whilst the last position is occupied by the first class (relating to competitive foreign countries), which becomes as much below, as previously it had been above, the other classes.

It seems to me that this little Table proves conclusively how successful has been the policy of Protection, adopted by the European continent and the United States, in excluding the goods exported from the United Kingdom, and it affords matter for serious consideration to all observers who are noticing from day to day that other countries besides the United States, Germany, France, and Belgium are joining the ranks of those who are our competitors instead of being our customers. Italy, Spain, and Russia, with large populations and cheap labour, may to-morrow not only be excluding us from their home markets, but may be sending their manufactures in competition with ours to all parts of the world.

It will be seen from the Table given above that over 70 per cent of our export trade is with our colonies and foreign countries, which may have imposed very heavy import duties on our goods, but whose competition may be said to be internal and not external. This internal competition is a natural accompaniment of high import duties, and the way it affects our manufacturers and those they employ, is of a negative rather than of a positive character. It should be the endeavour of our Government, as far as possible, to prevent the negative

becoming positive, the internal competition extending to external competition; and I can conceive no more effective way than the imposition of duties on our imports, and the waiving (or reduction) of duties to our colonies or those foreign countries who are willing to give entry to our goods into their territories on favoured terms. I will deal with this matter further when I come to a consideration of our import trade.

Before passing from the subject of exports, I should perhaps mention the figures of 1902, which figures are not included in the quinquennial averages, but are put at the bottom of the Tables I have given. It will be seen that in the year 1902 the exports to Germany, Holland, Belgium, and France were nearly £4,000,000 less than the average for the quinquennial period 1897-1901; whilst to the United States the value of the exports was over £5,000,000 greater than the average of 1897-1901, thus making the exports in value to competitive countries about £1,500,000 more than the average of 1897-1901. The cause of the large increase to the United States was, no doubt, the great labour disputes and the consequent demand for British goods to make up their lessened production. In Class 2, or the neutral foreign countries, there was an increase of nearly £3,000,000 over the quinquennial average of 1897-1901, and in the case of Class 3, or British possessions, there was the large increase of £18,000,000, making an increase in the total exports of 1902 of £22,000,000, as compared with the quinquennial average of 1897-1901. In the Table dealing with the percentages of the three classes into which the

exports are divided, it may be worth while noticing how important the third class, dealing with British possessions, shows up in 1902—only, this being for an isolated year, it would be a mistake to attach too much value to the figures. However, it appears that whereas, on the average for the five years 1827-31, there was nearly 37 per cent of our total exports (speaking of values) sent to the five competitive foreign countries, in 1902 the percentage had been reduced below 28. In the case of neutral foreign countries the percentage was very slightly reduced in the seventy-five years, whilst, as regards the percentage in the value of exports to British possessions, it rose from $29\frac{1}{2}$ in the period 1827-31 to nearly 39 in 1902.

In the case of exports it should perhaps be noted that the values have been greatly swollen during the last four or five years, owing to the large increase in the quantities of coal sent abroad, the prices at the same time being considerably enhanced, and about 30 or 40 per cent higher than ten or fifteen years ago. In this respect it should be borne in mind that the increased values of the coal exports have been particularly marked in the case of Germany, Holland, Belgium, and France, being on the average for the last five years £8,400,000 per annum, against less than £4,000,000 per annum on the average for the five years 1872-76, when our export trade to these countries was at its zenith. A large proportion of the extra coal exports has been for use in foreign navies.

CHAPTER VII

VALUES OF IMPORTS INTO UNITED KINGDOM FROM 1854 TO 1902, AND EXPORTS OF BRITISH AND IRISH PRO- DUCTS FOR SAME PERIOD.

IN comparing the imports with the exports of British and Irish products, a difficulty arises owing to the fact that a portion of the imports are re-exported. In the figures that will here be given, an adjustment has been made by deducting from each country the value of the foreign and colonial produce exported from the United Kingdom. The figures thus arrived at I have called the "adjusted imports," which, on the average, are about 10 or 12 per cent below the figures appearing in the Statistical Abstract as the values of imports. A comparison of the exports with the "adjusted imports" does not enable one properly to balance one against the other, without making allowance for the fact that the exports are valued at the port of shipment, whilst the imports are valued at the port of arrival, so that they carry the cost of freight and insurance. It would appear that the best and most accurate way of striking a fair balance would be to take what may be called the "mid-ocean" values, and assume that half the cost of freight and insurance from the port of shipment to the

port of arrival is added to the exports, and half the cost of freight and insurance deducted from the imports. According to the Blue Book just published, evidence is produced to show that for the commerce of the world about 10 per cent on the value of the goods is an average price to allow for freight, insurance, dues, etc. On this basis we should apparently get a fairly accurate estimate of our balance of trade, if we added 5 per cent to our export values and deducted 5 per cent from our import values. I shall, however, give the import and export values without this allowance (which will be dealt with later on), although, as stated above, I shall adjust the imports by deducting the re-exports.

Unfortunately no Government returns of imports are available prior to the year 1854, or several years after Free Trade was inaugurated, so that our information is very limited compared with that relating to exports.

In the Tables which I am about to give, I have endeavoured to arrive at a more accurate representation of the conditions of trade ruling at any specific time, than can be obtained by taking the results of single years, or even groups of years stated in averages. The system used for calculating the tithe-rent charge for each year is based on septennial averages, in which the plan is adopted of taking in each year as it comes along, at the same time leaving out the seventh year counting backwards. Instead of seven years, however, I have taken ten, so that the result as regards each year is the average of that year and the nine preceding years. In order to shorten the Tables of Imports (adjusted as before explained), and Exports of British and

Irish products, I have refrained from putting down every other year, leaving out the years which terminate with an odd number and recording only those which terminate with an even number.

In the first of the following Tables dealing only with what are called "Competitive Countries," I take as before Germany, Holland, Belgium, and France as the European countries bearing this description, and I put them into one group for the reason before given, that the Board of Trade finds it impossible to define or separate accurately the returns of the respective countries. The United States is the only other country which is treated as competitive, all other countries, although some of them may be more or less competitive with the United Kingdom in the export of manufactured goods, being treated as neutral. The colonies and India are grouped together under the heading of "British Possessions." The figures relating to imports come first, those relating to exports being placed alongside in brackets.

In the case of the imports the decennial averages of the first years are not complete decennial averages, for the reason that no figures are obtainable before 1854. In the case of the exports the full ten years' average is given in all cases.

DIAGRAM G.

ILLUSTRATING TABLE No. 12.

EXPORTS AND ADJUSTED IMPORTS TO AND FROM NEUTRAL FOREIGN COUNTRIES.

Based on Continuous Decennial Averages.

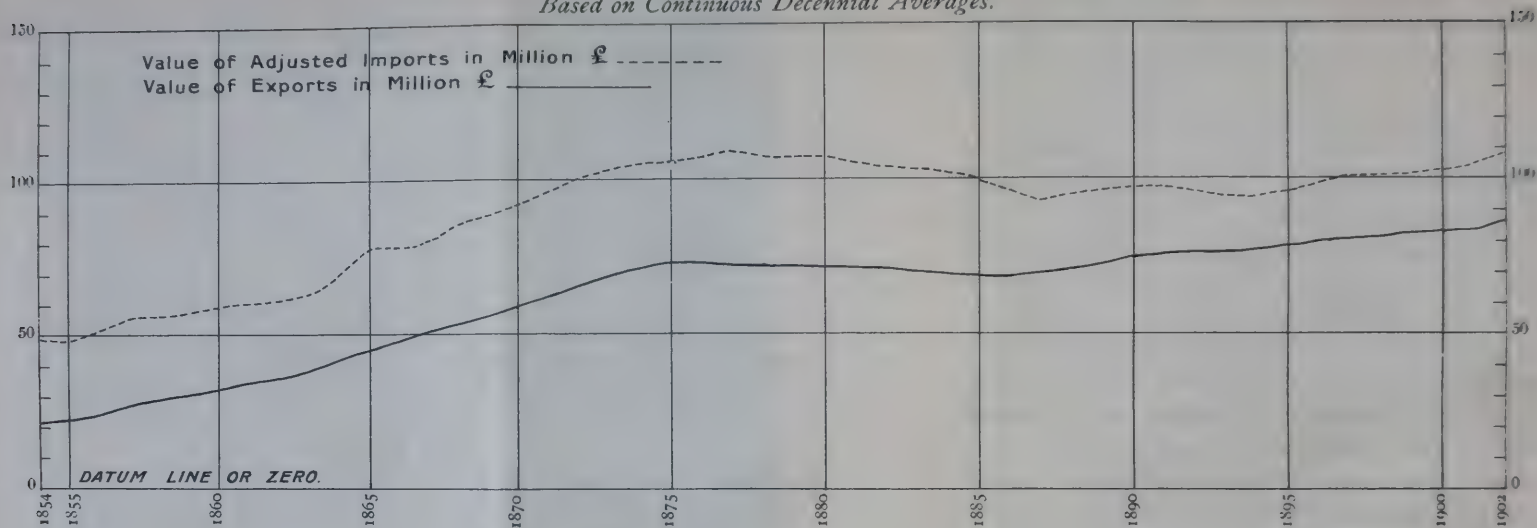


DIAGRAM H.

ILLUSTRATING TABLE No. 12.

EXPORTS AND ADJUSTED IMPORTS TO AND FROM BRITISH POSSESSIONS ABROAD.

Based on Continuous Decennial Averages.

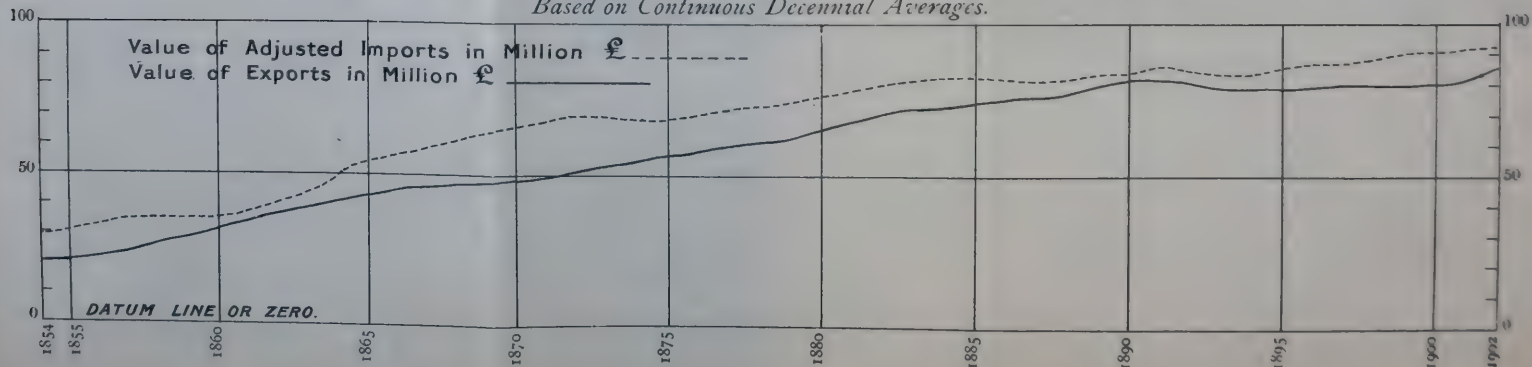


DIAGRAM I.

ILLUSTRATING TABLE No. 12.

TOTAL EXPORTS AND ADJUSTED IMPORTS
FROM AND TO THE UNITED KINGDOM.

Based on Continuous Decennial Averages.

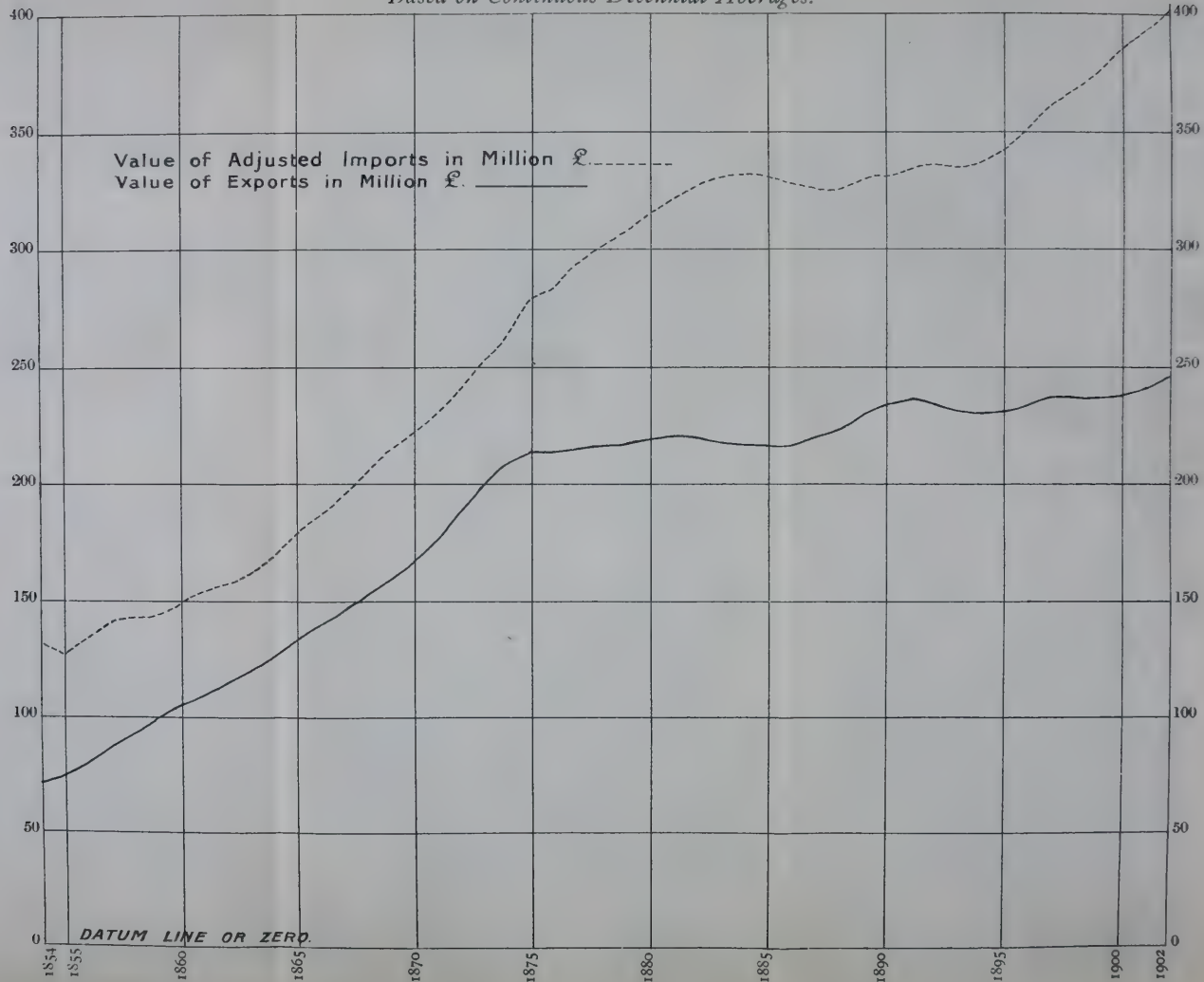


TABLE No. 12.

Decennial Average Values in Million £ of "Adjusted Imports" and Exports of British and Irish Products from or to Competitive Foreign Countries.

Imports are placed first and Exports alongside in brackets.

| Decennial Average ending with | Four European Countries. | United States. | Total Competitive Countries. |
|-------------------------------|--------------------------|-----------------|------------------------------|
| 1854 | 24·430 (14·385) | 28·872 (13·737) | 53·302 (28·122) |
| 1856 | 20·247 (16·256) | 29·739 (16·264) | 49·986 (32·519) |
| 1858 | 19·886 (19·145) | 30·946 (17·556) | 50·832 (36·701) |
| 1860 | 21·284 (21·367) | 32·806 (19·293) | 54·090 (40·660) |
| 1862 | 21·307 (24·390) | 33·327 (18·539) | 54·634 (42·929) |
| 1864 | 20·845 (27·296) | 30·074 (17·238) | 50·919 (44·534) |
| 1866 | 24·056 (30·231) | 30·159 (18·287) | 54·215 (48·519) |
| 1868 | 28·034 (34·210) | 31·552 (19·265) | 59·586 (53·474) |
| 1870 | 32·223 (38·929) | 32·785 (20·139) | 65·008 (59·068) |
| 1872 | 36·525 (46·690) | 36·431 (25·297) | 72·956 (71·986) |
| 1874 | 43·547 (53·354) | 47·280 (28·273) | 90·827 (81·627) |
| 1876 | 48·791 (56·756) | 55·050 (27·170) | 103·841 (83·925) |
| 1878 | 54·679 (57·356) | 63·154 (25·937) | 117·833 (83·291) |
| 1880 | 57·399 (57·240) | 73·090 (25·759) | 130·489 (82·999) |
| 1882 | 61·523 (53·863) | 80·097 (24·339) | 141·620 (78·199) |
| 1884 | 64·024 (51·708) | 83·067 (23·338) | 147·091 (75·044) |
| 1886 | 65·483 (49·351) | 84·113 (24·349) | 149·596 (74·199) |
| 1888 | 66·155 (49·121) | 82·045 (27·101) | 148·200 (76·224) |
| 1890 | 70·940 (49·936) | 79·873 (28·219) | 150·813 (78·154) |
| 1892 | 75·196 (49·571) | 80·611 (27·552) | 155·807 (77·122) |
| 1894 | 78·910 (48·250) | 79·592 (26·648) | 158·502 (74·897) |
| 1896 | 84·640 (49·140) | 81·173 (26·603) | 165·813 (75·743) |
| 1898 | 90·958 (50·693) | 88·027 (24·330) | 178·985 (75·022) |
| 1900 | 96·638 (52·960) | 93·983 (21·862) | 190·621 (74·820) |
| 1902 | 103·062 (53·801) | 98·502 (20·642) | 201·564 (74·442) |

Before commenting on the above Table, I will give another complete Table, containing the whole imports and exports divided into the three classes, competitive foreign, neutral foreign, British possessions, and also the total.

TABLE No. 13.

Decennial Average Values in Million £ of "Adjusted Imports" and Exports of British and Irish Products from or to (1) Competitive Foreign Countries; (2) Neutral Foreign Countries; and (3) British Possessions, with the Totals.

Imports are placed first and Exports alongside in brackets.

| Decennial Average ending with | Competitive Foreign Countries. | Neutral Foreign Countries. | British Possessions. | Total. |
|-------------------------------|--------------------------------|----------------------------|----------------------|-------------------|
| 1854 | 53·302 (28·122) | 49·302 (22·247) | 31·149 (20·950) | 133·753 (71·320) |
| 1856 | 49·986 (32·519) | 51·142 (24·827) | 34·019 (23·335) | 135·148 (80·682) |
| 1858 | 50·832 (36·701) | 55·169 (28·567) | 36·117 (28·112) | 142·118 (93·380) |
| 1860 | 54·090 (40·660) | 58·731 (32·362) | 36·664 (33·491) | 149·484 (106·514) |
| 1862 | 54·634 (42·929) | 61·444 (35·405) | 40·909 (37·827) | 156·987 (116·162) |
| 1864 | 50·919 (44·534) | 68·396 (41·352) | 50·736 (41·368) | 170·053 (127·255) |
| 1866 | 54·215 (48·519) | 77·336 (47·484) | 57·472 (45·576) | 189·023 (141·579) |
| 1868 | 59·586 (53·474) | 84·965 (52·496) | 61·650 (47·804) | 206·202 (153·775) |
| 1870 | 65·008 (59·068) | 91·500 (58·219) | 66·830 (48·812) | 223·338 (166·099) |
| 1872 | 72·956 (71·986) | 100·448 (65·558) | 69·971 (51·586) | 243·376 (189·129) |
| 1874 | 90·827 (81·627) | 104·942 (71·082) | 68·220 (55·187) | 263·989 (207·896) |
| 1876 | 103·841 (83·925) | 107·305 (72·337) | 70·184 (58·590) | 281·331 (214·851) |
| 1878 | 117·833 (83·291) | 107·771 (72·427) | 73·743 (62·239) | 299·348 (217·962) |
| 1880 | 130·489 (82·999) | 106·577 (71·592) | 76·925 (65·876) | 313·992 (220·467) |
| 1882 | 141·620 (78·199) | 103·619 (70·769) | 80·244 (71·117) | 325·484 (220·085) |
| 1884 | 147·091 (75·044) | 101·495 (69·160) | 82·976 (73·691) | 331·564 (217·886) |
| 1886 | 149·596 (74·199) | 96·700 (68·387) | 82·409 (75·463) | 328·706 (218·049) |
| 1888 | 148·200 (76·224) | 94·992 (70·478) | 82·451 (77·808) | 325·643 (224·510) |
| 1890 | 150·813 (78·154) | 96·808 (74·896) | 84·356 (81·247) | 331·978 (234·297) |
| 1892 | 155·807 (77·122) | 96·202 (76·173) | 85·080 (80·837) | 337·090 (234·182) |
| 1894 | 158·502 (74·897) | 94·980 (76·486) | 84·412 (78·945) | 337·896 (230·326) |
| 1896 | 165·813 (75·743) | 98·890 (79·616) | 86·824 (79·012) | 351·528 (234·369) |
| 1898 | 178·985 (75·022) | 100·733 (81·001) | 89·259 (79·401) | 368·977 (235·422) |
| 1900 | 190·621 (74·820) | 103·056 (82·745) | 91·593 (80·413) | 385·271 (237·976) |
| 1902 | 201·564 (74·442) | 109·277 (85·387) | 92·810 (85·557) | 403·652 (245·395) |

This Table is illustrated graphically by Diagrams F, G, H, and I.

CHAPTER VIII

CONCLUSIONS TO BE DRAWN FROM AN INSPECTION OF TABLES NOS. 12 AND 13

ON July 27, 1903, Mr. R. B. Haldane, K.C., M.P., one of the most intelligent and fair-minded members of the House of Commons, speaking at the Wandsworth Town Hall, at a meeting "called to protest against the fiscal proposals of the Right Hon. Joseph Chamberlain" (I am copying from a local newspaper), is reported in part of his speech as follows:—"He was astonished at the number of letters written and published by men professing to be experts, who did not seem to know the simple truth that goods were paid for by goods. These people had forgotten that, after all, learning and knowledge did not come by intuition, but by hard work, meditation, and experience." The words I have quoted seem very clear, and no doubt Mr. Haldane's hard work, meditation, and experience have convinced him that the figures in the Blue Books (from which I have constructed my Tables) support his theory that "goods are paid for by goods"; but I can only say that I am extremely sorry that I must be content to be put in the black list of one for whom I have the most profound respect, because I cannot accept his "simple truth." Table No. 12 shows

that as regards the imports for over ten years after 1854, the figures remained stationary with respect to the group of four competitive European countries; whilst in the same time the exports doubled, and instead of being less than 60 per cent of the imports, as they were in 1854, they were 25 per cent greater than the imports from a year or two before till a year or two after 1866. From this time to 1880 the imports increased rapidly, whilst the exports also increased, but not so fast as the imports. In 1880 the figures of the imports and exports were almost exactly the same. Since 1880 down to 1902 there has been a very great further increase in the imports, which have nearly doubled in the twenty-two years, the increase being more particularly marked during the last ten or twelve years. As regards the exports to the European group, the figures of 1878 and 1880 were at the summit (it was in 1879 that Germany abolished Free Trade), and there has since been a very considerable decline, the figures of 1894 being the lowest; the improvement of the last two or three years over these low figures being due to the larger quantities and higher prices of the coal exported from this country. The average value of the coal, coke, etc., exported to Germany, Holland, Belgium, and France for the five years 1898-1902 was on the average over £8,000,000 per annum, whereas for the five years 1872-76 it was less than £4,000,000. In fact, but for the increased value of the coal exported, no recovery whatever would have been shown, and the decline in the value of the exports to the four European countries would have been continuous since 1878.

As regards the United States, it will be seen that the imports remained nearly stationary from 1854 to 1866, being not very unlike the condition of the European group of competitive countries, whilst from 1866 to 1876 the rise in values was very similar in the two cases. From 1876 to 1886 the rise in the imports from the United States was more rapid than in the case of those from the European group; but from 1886 to 1902 the imports from the States rose very slightly, but those from the four European countries rose very rapidly. The exports from the United Kingdom to the United States doubled in value from 1854 to 1874, but half of the increase was lost between 1874 and 1902, the figures in the Table showing that the value of the exports to the United States in 1902 was only 50 per cent higher than was the case in 1854, whilst the value of the imports as between 1854 and 1902 rose 250 per cent. According to the Free Trade theory, as expounded by Mr. Haldane, in 1854 we paid for £28,000,000 worth of imports by the export of £14,000,000 worth of goods, but in 1902 we were fortunate enough to be able to buy £98,000,000 worth of imports by shipping to the States only £20,000,000 worth of our manufactures and raw materials!

Taking the totals of the competitive countries in 1854, we exported £28,000,000 worth of goods and imported £53,000,000 worth, the position being in 1902 that we exported to the same countries £74,000,000 worth and imported £201,000,000 worth. If we drop Mr. Haldane's pet theory for the moment, and take the estimate I have already given of the percentage to be

deducted from the imports and that to be added to the exports, in order to get into a position to strike a fair balance between the two branches of our trade, my estimate of the mid-ocean price being 5 per cent deducted from imports and 5 per cent added to exports, we get the following results. Our imports in 1854 (with 5 per cent deducted) would be about £50,000,000, and our exports (with 5 per cent added) would be about £30,000,000, leaving a balance of about £20,000,000 to be made good out of profits derived elsewhere. In 1902 our imports, after making the necessary reduction, would, as regards competitive countries, work out at £191,000,000, whilst our corresponding exports, after allowing for the 5 per cent addition, amount to £78,000,000, so that whereas in 1854 we had only £20,000,000 to make up, we have now £113,000,000. Against this large sum we may probably take credit for the profits on our shipping, but even making every allowance, it would certainly seem that there is a good deal of cause for uneasiness, having regard to the enormous difference between our exports and imports in connection with those foreign countries I have classed as "competitive."

As regards the figures relating to those foreign countries which I have designated "neutral," much more consoling results are obtained than in the first class, for whereas in 1854 the exports were only 45 per cent of the imports in value, in 1902 they were nearly 80 per cent, having nearly quadrupled in value during the forty-eight years, whilst the imports did little more than double. Adding 5 per cent to the exports and

deducting 5 per cent from the imports, we get, as regards neutral foreign countries, in 1854 about £24,000,000 to help to pay for £47,000,000, or a balance to be made up from other sources of £23,000,000. In 1902 a great improvement is shown after making the necessary allowances, the imports working out at about £104,000,000 and the exports at about £90,000,000, so that a balance of only £14,000,000 has to be found elsewhere. As regards the third class, British possessions, the figures are far better than in either of the other cases. In 1854, with the deduction from the import values and an addition to the export values, we get £22,000,000 to go towards paying for £29,000,000, or £7,000,000 to be found elsewhere; but in 1902, after the necessary deduction, we have £88,000,000, and to pay for this amount, after adding the 5 per cent to the export value, we have £90,000,000, or £2,000,000 to the good. It may be noted that, as regards British possessions in the period from 1854 to 1902, the value of the imports trebled and that of the exports quadrupled.

If we summarise the position as regards the three classes, and put the figures of the competitive foreign countries by themselves and the other two together, we get, after the proper deductions and additions, the balance for 1902 thus:—Competitive foreign countries, net cost of imports £191,000,000, against net value of exports £78,000,000, leaving a minus balance of £113,000,000. Neutral foreign countries and British possessions, to pay £192,000,000 and to receive £180,000,000, leaving a minus balance of only £12,000,000.

We may put the case very shortly thus, after taking

as before 5 per cent from the imports and adding 5 per cent to the exports. On the average of the ten years ending with 1902 we bought goods which were valued in "mid-ocean" at £383,470,000, and we sold goods also valued in "mid-ocean" at £257,665,000. We had one set of transactions, both buying and selling, with customers who were much cleverer than ourselves, and who sold to us £191,485,000 worth of goods and only bought from us goods to the value of £78,165,000, so that we had to pay them £113,320,000 in cash or its equivalent. We also had two other sets of customers who were fair in their dealings and not grasping like the other set. For the ten years ending with 1902 we bought from them £191,985,000 (exactly £500,000 more than from the other set) worth of goods, and sold them our own raw materials and manufactures to the value of £179,500,000, leaving the sum of £12,485,000 to be paid in cash or its equivalent. Does it not seem natural to ask ourselves the question, whether it would not have been better to have made a good deal less than half our purchases from those who were so keen in driving their bargains, and have bought a corresponding extra amount from the other two sets who were inclined to meet us fairly and liberally, especially one of the two classes, who were not only somewhat more generous than the other, but were also our kinsmen and fellow-subjects?

Having shown that for the average of the ten years ending with 1902 our trade balances, after making the necessary allowances, were on the wrong side to the extent of £125,805,000, which sum would have to be

met (unless we got poorer) by the profits derived from other sources than our foreign trade, it may be pointed out that if the year 1902 had been taken singly instead of ending a decennial period, the deficiency would have been increased by £22,200,000, making the adverse balance of trade £148,000,000. This would seem to point to a tendency at the moment to a considerable increase in the adverse trade balances. I know that the argument of Free Traders is that an excess of imports over exports is a sign of prosperity. Without disputing this proposition, it may be pointed out that a country's prosperity may be largely due to the profits derived from accumulated wealth, and may thus co-exist with languishing trade. This subject will be more fully discussed later on.

CHAPTER IX

PROTECTION AND PREFERENTIAL TARIFFS

PROBABLY no one will deny that the competition from the manufacturers of foreign countries is becoming more severe and extensive every day, which is tantamount to saying that our markets will, as things are, be less assured in the future than they have been in the past. As new industries spring up abroad, pressure is put on the Government of the country to protect these industries by high tariffs. As almost every Government is in want of money, there is seldom any reluctance shown to respond to an appeal to put on, or add to, a tax. Now it is evident that if the conversion of non-manufacturing to manufacturing countries goes on apace, and if, as has been the invariable case with all foreign nations (but not with our own), taxes are looked on with double favour by the respective Governments if they protect home manufactures as well as bring in revenue, our chances of getting rid of our goods will not be improved by quietly sitting down and doing nothing. Surely it must occur to any one who looks at our trade returns that there must be some reason why we are losing those markets which were formerly our best. It would also seem desirable to try to find out what should be

done to regain those markets that have slipped away from us, and still more desirable to strain every effort to secure for good those markets which we still have.

In all trading concerns the great anxiety is to find customers for the goods that have to be sold; there is seldom any difficulty about the buying. Take a large establishment. Who is it who is treated with all deference by the proprietor—the agent who uses all his eloquence to get the merchant or tradesman to give his principal an order for stock, or the rich customer who comes to the establishment to buy goods? We know that in almost every case it is the buyer who confers the favour and the seller who receives it.

It is natural to suppose that the same rule applies to nations as to individuals, and if such is the case, then the United Kingdom stands pre-eminent in the advantages it possesses but does not use. Our imports are, according to the average of the last ten years, 63 per cent larger than our exports, so that if it be a favour to buy we have great inducements to offer. At present it would seem that all these inducements are being absolutely thrown away, for as regards Germany, Holland, Belgium, France, and the United States, we are buying from them on an average nearly three times as much as we are getting them to buy from us. For every £1 we spend in buying from Germany, Holland, Belgium, and France, these countries only spend 10s. 5d. in buying from us. For every £1 we spend in buying from the United States, they only spend 4s. 3d. in buying from us. In the case, however, of the non-competitive or neutral foreign countries, for every £1 we spend in buying from

them, they spend 15s. 6d. in buying from us; and for every £1 we spend in buying from British possessions abroad, they spend 18s. 5d. in buying from us.

Looking at the present position of our commerce, it seems reasonable that we should try to encourage that portion of our trade which is the most profitable, with a view of extending it, and not worry ourselves if, in adding to the best, we lose some of the worst. The fiscal policy of other nations is to effect this object by the system of Protection, and the imposition of duties on articles produced at home, whilst at the same time commercial treaties involving mutual concessions in tariffs are made with other nations. Great Britain with its Free Trade policy is debarred from taking this course, and, admitting free the products of other countries (except in cases where duties are imposed for revenue purposes on articles *not produced at home*), has little or nothing to offer in order to effect a greater and readier interchange of commodities. We have absolute proof of the fact that the trade of the United States and Germany, accompanied as it has been with high tariffs, has developed with remarkable rapidity, and far beyond anything that Free Trade England has been able to show during the last thirty years.

What would be our position if we imitated these two countries, and imposed, say, a moderate duty of 10 per cent *ad valorem* on manufactured goods? Our manufacturers would then have a far better command of our home markets than they have at present, and the duty of 10 per cent which their foreign competitors would have to pay would be handicapping them to such an

extent that, at any rate some of the imports we now receive from them would be replaced by goods manufactured in the United Kingdom, whilst our revenue would be benefited by the 10 per cent duty on the manufactured articles that could afford to pay the duty. Now what would be the position of the consumer here? It is well known that the heaviest burdens which the manufacturer has to bear when his business is not worked to its full capacity are the establishment charges (the salaries of managers, clerks, and foremen), repairs and depreciation, interest on borrowed money, and rent, as well as the extra cost of fuel and smaller items of this character. If all these charges are spread over 50 per cent of the capacity of the works instead of a full output, the difference in the cost per unit or per article is often enormous, and may mean a severe loss instead of a fair or handsome profit. It is frequently the case that a manufacturer, to avoid this loss, will work his mill or factory to its full capacity and accumulate stock of which he cannot dispose; but here again he not only has the disadvantage of locking up capital, but he may produce goods which may go out of fashion or be superseded by something better. Bearing these things in mind, it can easily be conceived that a large demand and a consequent full output may mean much more than a saving of 10 per cent in the cost of production per unit or per article, and in such a case it is quite possible that a moderate duty may benefit the consumer, whilst it is everything to the manufacturer, and what is of even more importance, to those in his employ. The case may be carried even further, for the

manufacturer, when he sees the favourable position in which he will be placed by the handicapping of his foreign competitor, may think that he will still further reduce the dead weight of his fixed charges, etc., per article or unit, by enlarging his works or plant, and thus probably greatly diminish the proportionate cost of production. It is the experience that the cost of production is in the inverse ratio to the output; that is the cause of what is known as "dumping," a process which our American, German, and Belgian friends are now carrying on in this country to so large an extent, and which would be stopped most effectively if our fiscal policy were modelled on the lines laid down by them.

A system of duties levied on manufactured articles would, however, only take us half-way across the stream, and would not land us safely on the other side. To recapture our home markets would certainly be something, but there are two other most important considerations. In the first place, by far and away our best customers are our colonies and India; and in all we do we must take care not to lose that portion of our export trade which is close on 40 per cent of the whole, although thirty years ago it was less than 30 per cent. A duty on manufactures entering the United Kingdom would not do an atom of good to Canada, South Africa, Australia, New Zealand, or India, and to the former especially we must do something to counteract the blandishments of Uncle Sam. The second consideration is of nearly equal importance, and that is the necessity of extending our export of industrial products by offering inducements to non-

manufacturing countries to increase their imports of this class of goods. Preferential tariffs alone can do this, and it is greatly to be hoped that the two branches of Fiscal Reform will be carried simultaneously, or at any rate without any great interval of time between them. We should remember that Sir Robert Peel, in abolishing the Corn Laws, also did away with the very favourable preference up to that time accorded to our colonies, the duties on grain from all our colonies except Canada being only about one-third of that from foreign countries, whilst Canada only paid one-fifth of the duties imposed on the other colonies. The colonies also had preferential treatment in the matter of duties on other articles besides grain. It would also be hard on agriculturists at home if duties were placed on manufactured goods and none re-imposed on grain, for those whose occupation is concerned with the cultivation of the land have the recollection of their past prosperity and the favoured treatment they formerly enjoyed, to cause them to rise up in resentment if their interests are not only to be neglected by Parliament, but their position made worse by the still further withdrawal of the population from rural districts to the towns. It has been the expressed wish of most of our statesmen of both parties in the United Kingdom, to get a return of the inhabitants from crowded areas to the land, and it would be an immense advantage to the country if this aim could be achieved; and it is difficult to conceive how it can be achieved if protection is to be given to other industries, but none to that which is the oldest and most extensive

of all. One fear, no doubt, is that a duty of say 5s. a quarter on wheat would considerably raise its price, and consequently the cost of the working man's food. As to the effect of a duty in raising prices to the consumer, the case of France offers a very good opportunity of forming an opinion. In 1894 the duty on wheat in France was raised to 12s. 2½d. per quarter (having been considerably lower previously), and in 1902 a duty of 1s. was imposed on the United Kingdom. The intervening years (that is, the seven years 1895 to 1901 inclusive) are then all that can be desired to show the difference between Protection prices in France and Free Trade prices in England. The Blue Book just published states that over a long number of years the prices of imported wheat in Liverpool have been 1s. 3d. per quarter, on the average, above the Gazette prices of English wheat. The following is a Table of comparison of prices of wheat per quarter in Liverpool and in France :—

TABLE No. 14.

| Year. | Price in Liverpool. | | Price in France. | | Duty in France. | | Extra Cost in France. | | Portion of Duty not paid by Consumer in France. | |
|---------|---------------------|----|------------------|----|-----------------|----|-----------------------|----|---|-----|
| | s. | d. | s. | d. | s. | d. | s. | d. | s. | d. |
| 1895 | 24 | 4 | 32 | 9 | 12 | 2½ | 8 | 5 | 3 | 9½ |
| 1896 | 27 | 5 | 33 | 4 | 12 | 2½ | 5 | 11 | 6 | 3½ |
| 1897 | 31 | 5 | 43 | 9 | 12 | 2½ | 12 | 4 | (-0 | 1½) |
| 1898 | 35 | 3 | 45 | 8 | 12 | 2½ | 10 | 5 | 1 | 9½ |
| 1899 | 26 | 11 | 34 | 11 | 12 | 2½ | 8 | 0 | 4 | 2½ |
| 1900 | 28 | 2 | 33 | 8 | 12 | 2½ | 5 | 6 | 6 | 8½ |
| 1901 | 28 | 0 | 35 | 3 | 12 | 2½ | 7 | 3 | 4 | 11½ |
| Average | 28 | 9½ | 37 | 0½ | 12 | 2½ | 8 | 3 | 3 | 11½ |

It will be seen from this table that a trifle more than two-thirds of the duty falls on the consumer in

France, the other portion of rather less than one-third coming out of the pockets of those engaged in growing, carrying, or handling the corn before it comes on the French markets. No doubt, in all such cases as the above, the actual price that is ultimately obtained depends on what is known in applied mathematics as the "resultant of forces," and is governed by the various influences in proportion to their respective strengths. For instance, if there were in a certain year a very bad harvest in France, making large importations of wheat necessary, the price in that country would be greatly influenced by the supplies and demands of other countries. In such a hypothetical case the whole of the duty, in all probability, would be represented in the increased price in France as compared with Free Trade England. If, on the other hand, there were a very good French harvest, so that but very small imports would be necessary, then it would be the case of a slight force operating on a large mass, and the effect produced on the price of wheat in the country by these imports would not be very great. Naturally, the merchant would send his wheat to the port that paid him best, but a very good harvest in a large corn-growing country like France, with average harvests elsewhere, would mean a comparatively slackened demand, and the merchant might be glad to find a market without being too particular about the price. It is evident from the course of prices in France that it has been mostly when they have been at a high level that the effect of the duty has been most severely felt as regards the difference in price compared with a

- Free Trade country. Probably there is not one of the necessities of life where there is so short an amount of stock at any time in existence, and where so short a supply is left over at the end of a year's consumption, as is the case with wheat. It is because the world's annual production means as a rule the world's annual consumption, that the effect of a good or bad harvest in a country like France has an important bearing on the world's prices. If France became a Free Trade country, in all probability it would mean, as was the case after a time in the United Kingdom, the production of wheat in the country would be reduced by more than a half; and in such a case it is not at all unlikely that the world's prices, owing to the increased demand to make good the deficiency in France, would be raised by an amount approaching the duty taken off by our neighbours.

If England again adopts the policy of putting a duty on corn, with preferential treatment of our colonies and those foreign countries who are willing to enter into mutually beneficial treaties with ourselves, it is quite possible to conceive that the increase in the supply from the sources we specially favour, may go a long way in preserving the present level of prices in this country. Even if in the United Kingdom the consumer had to pay a small extra price for his bread, he would, apart from the increased prosperity of the manufacturing and agricultural communities, and the resulting benefits therefrom, be compensated by the lessened taxation in other directions rendered possible by the additional National Revenue derived from the new fiscal duties imposed. It was shown in the earlier

pages that the decrease in the price of wheat in the Free Trade period of twenty-one years, 1852-72, as compared with the Corn Law period 1826-46, was on the average only 3s. 7d. per quarter, and that this decrease in price was represented, on the whole of the importations, by an average sum of £1,263,125 per annum, the average annual importation being 7,050,000 quarters. During the earlier portion of the twenty-one years 1852-72, the imports of wheat were about 4,500,000 quarters per annum, being about 9,500,000 quarters in the later portion, a fact that is of importance in looking at the matter as a question of National Revenue. For the five years 1842-46 under Protection, the average annual imports of wheat were 1,700,000 quarters, and the average annual duty collected thereon £700,000, so that, allowing for the annual increase in population and the consequent increase in consumption, it would appear (leaving out the question of the increased price paid by purchasers of home-grown wheat) that more was lost to the Revenue than was gained by the consumers of imported wheat, whilst these same consumers had to bear the burden of other taxation to make good the corn duties remitted. It may be interesting to note that, for the five years 1842-46, something like 88 per cent of the imports of wheat came from foreign countries, and 12 per cent from our colonies, the former paying 98 and the latter only 2 per cent of the total duties collected. The cause of this discrepancy was the beneficial and preferential treatment accorded to our colonies, especially to Canada, where there was a fixed duty of 1s. a quarter,

or the same duty which she continued to pay under Free Trade, so that she at any rate, by having her preference removed and no reduction in duty, was a loser and not a gainer by the Act of 1846.

That the preferential treatment of our colonies previously to 1846 was producing a marked effect, is evidenced by the fact that whereas for the five years 1842-46 they only sent us 12 per cent of our imported wheat, for the two years 1845 and 1846 they sent us as much as 20 per cent of the total. In fact, had Sir Robert Peel's Act been deferred, Canada would have developed her resources, in all probability, much more rapidly than she did, and as her railways became constructed, and other means and facilities of transport developed, she would have been anxious and able to contribute largely to supply the wants of the mother country in the way of agricultural produce.

For the reasons previously stated, it would seem unlikely that the imposition of a duty not exceeding 5s. a quarter on wheat would be seriously felt by the working classes, especially if preferential treatment amounting to the waiving of the whole or a greater portion of the duty were accorded to our colonies or other countries, with which it might be found possible to arrange beneficial commercial treaties. If, for instance, the countries with which we had these preferential treaties grew enough wheat to supply all our wants, and we agreed to waive the duty altogether (receiving other trade advantages in return), we should to all intents and purposes be in the position of a self-supporting country, and the duty would only have the effect of excluding or penalising

the corn-growers of countries which imposed heavy protective duties on our exports. An import duty on coal in Great Britain would not raise the price of coal 1d. a ton, because we import no coal; and the import duty on corn in the United States produces no effect, because there is no necessity to import corn. If, then, the harvests of the countries under preferential treatment were able to meet our requirements in the shape of food, that food would come here as a matter of course, as it would thus avoid the onerous protective duties of other countries; and there is no reason why our working classes should pay more than they do now under Free Trade.

During the continuance of the 1s. duty on grain (remitted by Mr. Ritchie) many pronounced Free Traders expressed the opinion that no portion of the tax was paid by the consumer, and it seems natural to suppose that with a comparatively small duty a less proportion would be paid by the consumer than in the case of the heavy duty of 12s. 2½d. such as exists in France, where we have seen the consumer pays about two-thirds, and the grower and importer about one-third of the tax on imported wheat. Whatever may be the duty when next imposed on imported food stuffs, there will, it is to be hoped, be a much more marked discrimination in the charges on flour and meal, as compared with grain, than there was on the last occasion. There are many reasons why it is of the utmost importance that the milling interests and those of the agriculturists (to whom the offal from the mills is of such value as a feeding stuff) should be considered, but

I know of none so urgent as those that apply to Ireland. In Ireland labour is plentiful and work scarce ; there are first-rate flour mills, with the necessary water-power, in various parts of the country, that have stood idle for many a long day, and will so remain whilst suffering, unaided, from the competition of the United States. The Irish mills stand as monuments of a bygone thriving industry, but would be opened to-morrow, to the great advantage of the surrounding neighbourhoods, if discriminating duties as against the imported meal and in favour of the imported grain were imposed.

As apparently the fear of dear bread is one having close attention at the present time, it may be as well in a few words to assess the consequences to the consumer of any alteration caused by import duties in the price of wheat.

The annual consumption of wheat in the United Kingdom is about 6 bushels per head per annum ; about one quarter of the total consumption being produced at home and the other three-quarters imported from abroad. A duty of 1s. a quarter, if paid entirely by the consumer, that is to say, if the effect of the 1s. duty were to raise the price 1s., would mean to each individual 9d. a year, and to a family of five 3s. 9d. per annum, or less than 1d. per week. Even if the price of wheat were raised 2s. a quarter—and from what has already been said this would appear a maximum addition to the price that would arise from the imposition of a duty of 5s. a quarter—it would only mean an addition to the expenditure of a family of five persons of 7s. 6d. per annum, or 1 $\frac{3}{4}$ d. per week. In the Blue Book just

published the average earnings of the working classes for a family of a normal size are put down at 33s. 10½d. per week, or £88 : 1 : 6 per annum, so that the possible contingency of being called upon to pay a tax equal to an income tax of a penny in the £, does not seem very alarming, especially if the result meant a great reduction in the risk of the workmen being out of employment altogether.

As bearing on the relative cost of living in various countries, and also on the average wages, the following Table is extracted from the Blue Book just published :—

TABLE. No. 15.

| | Great Britain. | United States. | France. | Germany. | Belgium. |
|--|----------------|----------------|---------|----------|----------|
| | s. d. | s. d. | s. d. | s. d. | s. d. |
| Average Weekly Income of a Family of Normal Size | 33 10½ | 46 4¾ | 25 5½ | 19 11¼ | 22 7 |
| Items of Weekly Ex- diture— | | | | | |
| Food | 15 8 | 17 8¼ | 11 6 | 9 5¼ | 10 10½ |
| Rent | 3 9¼ | 6 6 | 2 5½ | 1 8 | 2 3 |
| Clothing . . . | 4 8¼ | 6 7½ | 3 5¼ | 3 4¼ | 4 9 |
| Fuel and Light . | 2 0¾ | 2 6½ | 1 6½ | 1 1 | 1 4 |
| Total | 26 2¼ | 33 4¼ | 18 11¼ | 15 6½ | 19 2½ |
| Balance | 7 8¼ | 13 0¼ | 6 6¼ | 4 4¾ | 3 4½ |

I will reserve my chief comments on this Table till the next chapter, but may remark that Protection does not seem to raise the cost of food in France, Germany, and Belgium; and in the United States, where wheat is cheapest, the cost of living is dearest.

CHAPTER X

TRADES UNIONISM AND FREE TRADE *VERSUS* PROTECTION

I HAVE now to deal with by far the most important consideration that arises when the Fiscal Question is discussed. Will Free Trade or Protection be the greater boon to the working man? It is for the reason not only that I believe Protection to be better for the working classes in this country than Free Trade, but because I am convinced that the adoption of a fiscal policy on similar lines to that now so firmly established in all other great manufacturing countries, is absolutely essential for their welfare, that I am anxious to see the miserable system initiated by Mr. Cobden done away with for ever. If there was one thing which the Manchester School, to which Mr. Cobden belonged, hated above all things (except Protection) it was Trades Unionism, and it was hateful to them because they looked upon it as a form of Protection and an interference with the ordinary laws of supply and demand. For this reason the Manchester School stoutly opposed the early Factory Acts when they were introduced, believing that such legislation was inimical to that absolute freedom in commercial matters they wished to see established. I fully recognise that Trades Unionism is an established

institution in the United Kingdom, that it would be futile to attempt to destroy, or even to weaken it, for after all it is an organisation that has the confidence and respect of the working classes, whose voice for the last thirty-five years has been predominant at the polling booths. I go further than this, and have not the slightest wish to see the least alteration in the rule that prevails in our Government offices, imperial and municipal, that no contracts for work or supplies shall be accepted from any contractor who does not pay the wages or observe the conditions established in the respective trades. There is only one obstacle in the way of making this system workable and effective, and that is Free Trade. Is it in future to be laid down as a rule in our Government offices, as it is now apparently in the London County Council, that no manufacturer or contractor who has his works in the United Kingdom and does not pay the orthodox wages shall be permitted to enter into a contract, but that this rule shall not apply (for the reason that it cannot be enforced) when the goods are manufactured abroad? There is already a heavy premium offered to the manufacturers of this country to establish their works on the Continent, on account of the cheap labour that can there be obtained (see the Table at the end of last chapter); but if this incentive is to be increased largely, by the fact that tenders from abroad will be readily accepted (with or without an inquiry that the tenderer knows can be evaded with the greatest possible ease), that would not be looked at if coming from the United Kingdom, what in future is going to be the position of the artisan or

labourer? It is well known that manufacturers who go from Great Britain and put up works abroad, do so mainly because they wish to get cheaper labour and avoid the influence of the Unions over the men; and as a consequence it happens that British managers and foremen may be engaged, but the bulk of the workmen belong to the country where the works are situated. A glance at the Table produced from the recent Blue Book will show that the wages in France, Germany, and Belgium are on the average only two-thirds those of Great Britain, and as the hours are much longer on the Continent than they are here, it is no wonder that foreign work is far cheaper than British work. If, in addition to this great advantage, the foreign (or foreign domiciled British) manufacturer is to have the privilege of a free market in the country where his works are situated, and which is denied to the British manufacturer, and above all has full liberty to deal in British markets unchecked, is it not a moral certainty that he will rise to the surface and the British manufacturer and the British workman will go under?

The first Acts passed in recent years for the special benefit of the working classes were the Factory Acts brought in by Lord Shaftesbury. Since their enactment many legislative measures dealing with matters tending to improve the safety, health, and other conditions of the workers in our mines and factories, and partly, if not mainly, on the initiative of working men themselves, received the sanction of Parliament. In every case it has been believed (and I consider rightly so) that the cost of these improved conditions of labour would come

out of the pockets of the employers. In addition to the Acts of Parliament, great powers are vested in the Board of Trade, and there can be no doubt that these powers have been used wisely and properly by those with whom they were entrusted. These Acts and the enforcement of the rules laid down by the Board have entailed a very large increase in the cost of production. Take one of the most important Acts passed in recent years, and which has been of great advantage to the working classes, Mr. Chamberlain's Workmen's Compensation Act. It is well known that this Act entailed very considerable extra cost to the owners of factories and other employers of labour; and in this as in all other matters of similar legislation it would appear, if Free Trade is to continue to prevail, that there will be a penalisation of all in this country called upon to obey laws passed for the amelioration of the working classes, and a bounty to those similarly situated abroad, who escape from most of these restrictions. If the manufacturers of this country are to find that there is going to be a continuance of the pressure of Acts of Parliament, the favouring of foreign competitors by our national and municipal governments, prohibitive duties on the Continent and in America, and at the same time our own markets are to be free to the importation of foreign goods made under immensely more favourable conditions than those prevailing in the United Kingdom, are they likely long to be able to hold their heads above water? When the employers go under what will be the condition of the workers?

CHAPTER XI

THE "TRADE" AND "WEALTH" OF THE UNITED KINGDOM

THE invariable answer of Free Traders, whenever any one utters words of foreboding with regard to coming evils unless our fiscal policy is changed, is to point to our immense import trade as a proof of all-round prosperity. Even allowing that large imports are an index of wealth, they can only be held to be a proof of the flourishing condition of trade, so far as they consist of raw materials for manufactures or of articles of consumption by those engaged in production and trade. Surely to say it is a clear proof of trade prosperity in the United Kingdom that those who are living in England on the past accumulation of wealth, made either at home or abroad, are buying freely articles of comfort or luxury from Germany or France, is an argument that will not appeal with much force to the British working man, who has had no lot or part in the making of these articles.

For the year 1902 the total value of the imports into the United Kingdom, after deducting the value of foreign and colonial produce re-exported, was £462,500,000. Articles of food and drink and of tobacco accounted for £214,000,000; manufactured

articles, £84,500,000; and oils, drugs, and miscellaneous, £34,000,000; leaving £130,000,000 as the value of raw materials imported for manufactures, etc. This £130,000,000 may be divided roughly as follows:—Materials for textile fabrics, £50,000,000; wood and timber, £27,000,000; metals and ores, £22,000,000; hides, skins, hair, etc., £15,000,000; dyes, etc., £4,000,000; caoutchouc, £2,000,000; and miscellaneous, £10,000,000. All the above figures are obtained by deducting the re-exports from the imports.

It will be seen that the imports used in manufactures form only 28 per cent in value of the whole; and the exemption of all these raw materials from taxation would still leave a very wide field for selection in the imposition of duties with a view of preferential treatment in the case of our colonies and non-competitive foreign countries. It has just been stated that the total value of manufactured goods imported (after allowing for re-exports) was for last year £84,500,000, or very nearly two-thirds of our total imports in any way connected with our manufacturing industries.

In striking a balance between imports and exports, two or three matters have to be introduced in order to arrive at correct figures. In previous amounts put down as representing the exports, ships and boats (not registered as British) have been excluded for the purpose of comparison, such figures not having been given previously to 1899. New ships should, of course, be included in comparing exports with imports. In the correct figures for the purpose of comparison, the value of diamonds imported and the balance of imports

and exports of bullion should also be taken into account. For the four years 1899 to 1902 inclusive, an absolutely correct comparison can be made between the imports and exports, as the value of new ships built and sent abroad is included for these years, but was omitted previously. The average annual value of imports in these four years, according to the Board of Trade Returns, is £514,623,055. To this figure must be added £4,451,662, the average annual value of diamonds imported from the Cape, and £7,193,695, the average annual excess value of the imports of gold and silver bullion and specie compared with the exports. We thus get for 1899-1902 a total average annual value of imports of £526,268,412. The total average annual value of exports during the same period, including new ships and foreign and colonial produce re-exported, is £345,252,865.

The comparison cannot fairly be made without consideration of the fact (previously mentioned) that the exports are valued at the port of shipment and the imports at the port of landing, the former being *ex* freight, etc., and the latter *cum* freight, etc. As stated before, a deduction of 5 per cent of the value of the imports, and an addition of 5 per cent to the value of the exports, may be taken as giving "mid-ocean" values of both imports and exports. This calculation allows £87,152,128 as the total cost of freight, half, or £43,576,064, being put down as the share of the United Kingdom, and the other half being assigned to the foreign and colonial countries from which the imports are received or to which the exports are sent.

The total average annual values of the imports and exports, as adjusted to a common basis, are then, for the four years 1899-1902 inclusive, £499,955,006 and £362,514,508 respectively, or, say, in million pounds and in round figures, £500,000,000 and £363,000,000, showing a sum of £137,000,000 which this country has to make up to its foreign and colonial customers. It will perhaps be argued that this sum is made up to some extent by the earnings and freight on our shipping. For 1902, according to the Board of Trade Returns, the total tonnage (omitting men-of-war) of new steam and sailing ships, built in the United Kingdom and sold to foreign and colonial countries, was 149,858, and the cost, including machinery, was £5,090,579, or just under £34 per ton.

The total net tonnage of the steam and sailing vessels belonging to the United Kingdom at the end of 1902 was 10,054,770. The £34 a ton, the cost of new ships sent abroad last year, is, of course, largely in excess of the average value per ton of the shipping (at its present value) belonging to the United Kingdom. Probably, after allowing for depreciation, a full price to take would be £20 a ton, on which basis the total value of the shipping of the United Kingdom works out at £200,000,000. Assuming that the net annual profit on this capital sum is 5 per cent, we get £10,000,000 as the net income derived from our shipping. Half the shipping entering and leaving United Kingdom ports is British, so that it is fair to assume that half the freight embraced in our import and export trade would be in British ships. This half

freight has been valued and adjusted, as above stated, at £43,576,064 per annum, and probably this sum may be reasonably taken as a set-off against the estimated net annual profit of £10,000,000. It may be that the gross freight of £43,500,000 would not produce £10,000,000 net, but the deficiency can scarcely be very great.

On the above showing, some other source has to be pointed out from which the excess in the value of imports over exports, amounting, as stated above, to £137,000,000 annually, is to be made good. There can be no doubt that it is the annual interest derived from our foreign and colonial investments that is our mainstay in meeting our liabilities in respect to our excess of imports, but the doubt arises whether or not it is sufficient for the purpose. According to the Government Returns, the "profits from abroad assessed to income tax" for the year 1901-2 were £62,559,479, the amount having doubled in about twenty years. Many omissions of necessity exist in these Returns, arising, in a great measure, from the difficulty on the part of Government officials in ascertaining the private investments in lands and businesses abroad, and also the holdings of foreign "anonymous" securities. In addition to the actual income received from investments abroad, we must also take into account the portion of the pay and earnings of those holding foreign or colonial appointments, or carrying on business abroad, whilst their families reside at home; whilst a further allowance must be made in the case of British-owned undertakings outside the United Kingdom, for the sums remitted to pay home establishment expenses. Probably 50 per

cent added to the £62,559,479 would supply all the omissions just mentioned, thus bringing the total sums to be received from abroad to an amount of, say, £94,000,000. This sum goes a long way towards saving the country from experiencing ruinous losses as a result of the excess of imports. It may, however, be remarked that the salvation thus obtained, be it partial or complete, is not in the slightest degree due to Free Trade, although the partisans of this silly fiscal policy are loud in their claims that it is so.

We are still left, after deducting the £94,000,000 from the £137,000,000, with £43,000,000, which must have been paid for in one way or another. It may be said that I have not taken into account the money spent by travellers in this country coming from abroad, but it is very doubtful if the sums spent in this way, are not more than counterbalanced by those residents of the British Isles who visit other parts of the world. We are then driven to find another explanation of the way in which the excess of imports is met, and the most probable one would seem to be connected with the sale of United States railway securities by British to New York capitalists, and also by recent American investments in British electrical and other industrial enterprises. There can be no doubt of the fact that the amount of American securities held by British investors, is very much less than it was twelve or fifteen years ago. Since the Baring crisis (it may be partly due to this crisis and partly to the increased tariffs in the States) the change in the conditions of trade between the United Kingdom and the United States has been positively startling.

This change of itself ought to be sufficient to cause a misgiving in the heart of the stoutest Free Trader. The average annual excess in values of imports over exports in our trade with the United States was £47,000,000 for the three years 1888, 1889, and 1890, and over £96,000,000 for the three years 1900, 1901, and 1902, showing that it more than doubled in twelve years. It is therefore very natural to suppose that the Americans have paid for their railway securities, bought from London, Glasgow, and Liverpool, by sending us in exchange their food stuffs and manufactures. The exchange of our capital, which is of permanent value, into perishable commodities, furnishes us with a lesson that is not pleasant to contemplate, but unfortunately it seems highly probable that a continuance of our present fiscal policy will increase the evil still further, until we find (signs are even now present everywhere) that our predominance in the world as a capitalist country, has passed from us for ever.

Having dealt more particularly with "trade," I feel that it might be thought that I was endeavouring to evade the subject of "wealth" if I did not allude to the great increase shown during recent years in the Income Tax Returns. In the comparisons that I am putting forward to show the changes that have, and are, taking place in the conditions of national wealth, I am anxious to use the latest returns, so far as I can do so compatibly with the avoidance of the period when marked fluctuations undoubtedly arose, through the inflation caused by the huge expenditure of the British Government in connection with the South African War. This

inflation in trade and prices is almost certain to be followed by a reaction similar to that which followed the two or three years of prosperity that ensued on the termination of the Franco-German War. For the reasons just given, I am not taking, in the comparisons that follow, the same periods in all cases, but the system I am adopting tells less for me than against me.

As regards the returns of income tax assessments, I take the average annual figure for the ten years ending 31st March 1902, and find it is 738·019 million pounds, whilst that for the ten years ending 31st March 1892 was 649·189 million pounds, showing an increase in the ten years in the income tax assessments of 89·113 million pounds, or an average annual increase of 8·911 million pounds. It would thus appear that, judging from the income tax assessments, the income of the nation (leaving out of account all who do not pay income tax) has been increasing of late at the rate of about £9,000,000 a year.

Now it may be as well to find out, if possible, what alterations (if any) have been going on in our national expenditure. I take in the first instance the expenditure of the Imperial Government, and in order not to get into a year affected by the South African War, I adopt the returns of the year ending 31st March 1899, and compare them with those for the year ending 31st March 1889. I find that in the ten years the annual expenditure of the Imperial Government increased from 87·683 million pounds to 108·150 million pounds, or an average annual increment of 2·047 million pounds. As regards the expenditure of the various local authorities

in the United Kingdom, I take the latest period given in the last Statistical Abstract published, that is, for the year 1900-1, and I find that the total amount of rates collected in that year was 67·015 million pounds, whilst the figure ten years previously, that is, for the year 1890-1, was 41·955 million pounds. We thus find that in the ten years the annual amount paid in local rates increased 25·061 million pounds, showing an average annual increase of 2·506 million pounds. I also find that the net receipts of duties collected for local authorities by imperial officers increased from 7·074 million pounds to 9·710 million pounds in 1900-1, showing an increase in the annual returns of 2·636 million pounds in the ten years, or an average annual increment of ·264 million pounds. Adding the three sums 2·047, 2·506, and ·264 million pounds together, we get 4·817 million pounds, which deducted from the annual increase in the income tax assessments of 8·911 million pounds, there is left 4·094 million pounds, which may be considered as the net annual increase in the income of the nation. It cannot be said that more than a portion of this income is capable of being capitalised, but, on the other hand, as only the annual profits of income-tax payers have been brought under review, a considerable addition might have to be made to the annual increment of 4·094 million pounds, in order to arrive at a full estimate of the annual amount to be added yearly to the nation's income. Bearing this fact in mind, it may be considered a fair estimate of the annual addition to the wealth of the United Kingdom to capitalise the annual increase of income at twenty-five

years' purchase. This will give in round figures an annual increase in the nation's capitalised wealth of £100,000,000. If there be an error in this calculation, I believe it lies in over-estimating and not in under-estimating the amount.

However, this £100,000,000, the yearly savings of the nation arrived at from the above calculations, can scarcely be called a net sum. It would appear from the Statement of Loans for Local Works that the total sums advanced, according to the returns for 1890-1, were 39·026 million pounds, and for 1900-1 they were 54·361 million pounds, showing an annual addition of 1·533 million pounds. The loans annually raised (that is to say, the annual addition to such loans) by the local authorities themselves increased from 8·529 million pounds for the year 1890-1 to 35·533 million pounds for the year 1900-1, showing how local indebtedness seems to be growing at an ever-increasing ratio. However, I do not like to assume that 35·553 million pounds can be looked upon as the annual increase of local debt, and therefore I will take the figures for England and Wales from another return and leave out Scotland and Ireland, there being no complete returns for these portions of the United Kingdom. As regards England and Wales alone, the outstanding debts of local authorities were 201·215 million pounds in 1890-1 and 316·704 million pounds in 1900-1, showing an increase in these loans during the ten years of 115·489 million pounds, or an average annual increase of 11·549 million pounds. Adding this last figure to that already given of 1·533 million pounds, we get a sum of £13,000,000, leaving out the odd thousands. Deduct-

ing the £13,000,000 from the £100,000,000 given above, we get £87,000,000 as the annual addition to the national wealth.

I have not attempted to separate the loans raised by local authorities for reproductive works, from those raised for unproductive works, because in a former calculation I have made use of figures relating to annual increments in the rates, and these rates are (or are supposed to be) reduced by the profits of remunerative works. It should be noticed that in the calculation above, giving £87,000,000 as the annual capitalised saving of the nation, no allowance has been made for the previously estimated loss of £43,000,000, arising from the excess of imports over exports, nor has there been any figure mentioned with reference to the large but necessary increase in the National Debt arising from the South African War. I have left such matters alone, for the reason that they have no bearing in themselves on the question of fiscal policy, except so far as it may be justly said that, if the United Kingdom is poorer now than it was five years ago (and I am afraid it is so), whilst our great rivals are richer, it is doubly important that we should leave no step untaken that would tend to improve our commercial position amongst the nations of the world. The views I have expressed above may be far too pessimistic, and the course of events may prove them to be so; I can only express the fervent hope that such may be the case. Only thirty years ago we were almost the only capitalist country of the world. To-day the United States, Germany, France, and even little Belgium, are

probably one and all sending abroad annually more capital (returning periodically its golden harvest) than is the case with the so-called "Nation of Shopkeepers." Why has Protection (if it be so bad) brought our competitors to the front? Why has Free Trade (if it be so good) given England the back-seat?

CHAPTER XII

CONCLUSION

I HAVE attempted in the preceding pages to pass in review (I am afraid very imperfectly), the condition of the United Kingdom when Free Trade was inaugurated nearly sixty years ago, the results that have followed the adoption of Mr. Cobden's ideas, and the urgent necessity of immediate Tariff Reform. I know well how many omissions there are in this little book, but I can honestly say that, except on one point (to which I will refer), I have not attempted to pass over anything which I knew could be brought against me. The one point to which I refer is the political aspect of Free Trade, that is to say, the effect of its abandonment on our relations with foreign countries. This I have not attempted to discuss, nor do I intend to discuss it, for the reason that I am not competent to do so. I can only say that I look upon Free Trade as having been pure quixotism from the first, and I doubt if quixotism in a nation has ever been of much use in staving off enmity and ill-feeling.

In the controversy in which the country is now engaged, there is one class above all others that will determine whether the Fiscal Policy of Great Britain

is going to be changed or not. That class is the one which received its principal charter of enfranchisement at the hands of the statesman who "educated his party" to this great end, who, if he had been equally powerful a score or so of years before, would probably have done much in loosening the fetters with which Sir Robert Peel enchained the British nation. Yes, it is the working class, who have more to gain and more to lose than all the rest of the nation put together, who must decide this question for once and all.

Is the working man, who has done his utmost to protect his interests against his employer, or against his fellows who wished to undersell him in his labour, going to consent to be forced to be idle by reason of the great natural resources of the American employer; or is he going to permit the Belgian worker, on account of his small pay and long hours, to outbid him in his work? If this is to be so, the British working man should remember that the more work that goes abroad, the cheaper will be the cost of turning out that work, and that, if things are pushed to an extremity, it may be very difficult to recover lost ground.

Mr. Balfour's policy of retaliation will do a great deal, and may well be taken as an instalment of the more important aim that Mr. Chamberlain has in view. However, it is as well to remember that retaliation can only affect our trade with those nations on which we retaliate (and whose trade with us and one another is of far less importance than that with the rest of the world, being best described by the vulgar expression "dog eat dog"), whereas a system of preferential duties

will enable us to bargain with every nation that exists. The main objects we have in view are, firstly, to give our producers at home, both masters and men, a larger share of our home trade, it being remembered that the more of such trade they get, the less will be the cost per unit of production, owing to the spreading out of the establishment charges over a wider area. Secondly, to retain all the trade we now have with India and our colonies, as well as non-competitive countries; and in order to secure this end, and at the same time increase the trade as far as possible, to put duties on food and other articles (not raw materials used in our manufactures), with a view of taking them off in favour of those who favour us as regards the duties on British goods, compared with those of other nations. Thirdly, to place ourselves on terms of equality in our transactions with our rivals in Europe and America, and to mete out to them the same measure they mete out to us.

If this policy were carried out, what would be its effect? In the first place, it cannot be denied that Protectionist countries have vastly increased their home trade by putting onerous duties on the goods of foreign nations, who wished to compete in their domestic markets; and this has certainly been done in most cases without any increase in price to the native consumer, except, perhaps, just at first. In the second place, if Protection shuts out the goods of other countries it must increase the home trade, and an increase of trade naturally tends to increase wages, whilst the larger output tends to reduce the relative cost of pro-

duction. In every other country but Great Britain these facts are fully recognised by the working classes, who are the most ardent in their advocacy of Protection. In the third place, an increase of production, which is bound to follow a policy of Protection, means an improvement all round in those enterprises which are necessary accompaniments of trade. Take the great railway system of the United Kingdom, with its £1,200,000,000 of capital, and which is in a far from satisfactory financial position, compared with what it was a short time ago. An increase in the country's trade would mean more traffic, more men employed, and better wages; and the same thing would hold good with many other necessary industries, whose prosperity coexists with the nation's welfare.

The main stumbling-block in the way of a change in our fiscal policy, involving preferential tariffs, appears to be a feeling of dread with many that such a change will lead to dearer food. On this subject it is possible that a good deal of misapprehension exists, whilst it is certain that many misrepresentations have been made. The imposition of duties on imported foods is a move in the direction of preferential tariffs, involving possibly a rise in prices, varying to a certain extent with the duty imposed, but in effect the proportionate rise will be less in the case of low duties than with high duties. It has been shown that in France, with a duty on wheat of 12s. 2½d. a quarter, about two-thirds of the duty is all that falls on the consumer. If the French duty were reduced to 6s., it is quite possible that not more than half of it would fall on the consumer, whilst we know

that with the 1s. duty in this country, according to Free Traders' statements, no portion of the duty fell on the buyers of food-stuffs. As bearing on the question of the proportion of the duties on corn that fall on the consumer, it must be borne in mind that it is a tremendous advantage to those countries having a surplus of grain and flour for export, to be able to find a market that is absolutely free, as is the case of the United Kingdom at the present time. Let Great Britain follow the example of France, Germany, and other European countries by the imposition of corn duties, and it is clear that this advantage will be lost to the foreign wheat exporters, and that the loss to them will be the gain to the consumers at home.

For the year ending 31st March 1903 the following were the amounts in million pounds of the duties collected in the United Kingdom on articles of food and non-intoxicant drinks:—Corn, 2·346; currants, etc., ·416; coffee, ·178; sugar, 4·478; and tea, 5·975; being a total of 13·391 million pounds, or, including tobacco, etc., which amounted to 12·451 million pounds, a grand total of close on £26,000,000. None of these duties was ever put on with a view of benefiting any portion of the British Empire, or of acting in any way as a protection against unfair trading on the part of any foreign country. Our policy of pure quixotism, or, in other words, undiluted idiocy, has always been to give the Government a free hand where there has been a chance of putting on a duty that would benefit the foreigner, whilst we have cried out with holy horror when it has been pointed out, in connection with a contemplated

impost, that a certain section of the King's subjects might perhaps get an advantage. For instance, we take off the grain duty of 3d. a hundredweight, because it mostly fell on the American growers, and was suspected of "protecting" to an infinitesimal extent (through a trifling extra amount on flour) the British and Irish millers. At the same time we retain the full duty of 6d. a pound on tea, because that which we import nearly all comes from our own dependencies, India and Ceylon. The tax we abandoned was one less than 5 per cent *ad valorem*; the tax we retain, according to the quantity and value of tea imported in 1902, was one exceeding 80 per cent *ad valorem*. Of the tax relinquished only about half was a charge on human food; of the tax preserved the whole proceeds thereof was an addition to the cost of a commodity, entirely consumed by our population. As bearing on the outcry against any duty being imposed on corn, whilst the duty on such articles as tea is borne so patiently, it is interesting to note the relative consumption of wheat (in the shape of flour and bread) and tea by the working classes. According to the Blue Book just published, it would appear that a working man, together with his family (of an average size), would consume in a week about 34 lbs. of bread and flour, and about $7\frac{1}{2}$ ozs. of tea. The duties remitted and retained respectively (taking the full duty on tea) by Mr. Ritchie would, on the above quantities of food, be about $\frac{3}{4}$ d. for the week on the bread and flour, and about $2\frac{3}{4}$ d. on the tea.

If the present taxes of £26,000,000 a year on articles of food, non-intoxicating drink, and tobacco were so

rearranged that they should mostly fall on those from whom we derived no benefit, and but slightly on those who helped to foster our trade, enormous benefit would accrue to British industrial undertakings, bringing increased employment and better wages to the workers, whilst there would be no addition to the cost of living. If, in the shifting of taxation from one set of articles of consumption to another, a duty of 5s. a quarter were placed on wheat, there is no reason to suppose that any very great addition would be made to the price, if preferential treatment were accorded to our colonies and non-competing countries. It must be remembered that the full duty would only be levied on corn coming from countries that would not make beneficial arrangements with us, whilst in many cases, such as Canada, the duty might be remitted entirely. The tendency would be to rapidly increase the production in the countries enjoying preferential treatment, and probably in less than five years the whole of our wants might be supplied from these sources, thus putting us in the position of having free, or nearly free, imports of grain. It has been argued by Free Traders that if duties on Canadian wheat were lighter than those on United States wheat, Canada would send her grain to the United Kingdom and supply her own wants from the United States. It is forgotten in these arguments that Canada, being a strong Protectionist country, is not likely to do anything detrimental to her farming population, even if it can be imagined that in any treaty between the United Kingdom and Canada provision would not be made against so transparent an

evasion. Without dogmatising too much on the subject of preferential duties, it would seem to be an indisputable fact that if, under a system involving differential duties, sufficient supplies could be obtained on the lowest scale, it would be this scale, and not a higher one, that would govern the price of the article. For instance, where a country produces enough of a commodity for its own requirements, no duty, however high, would raise the price. The United States fix a duty on imported grain, but it is non-effective as regards price, for the reason that the home consumption is much less than the production. A tax on imported coal in Great Britain would not raise the price in Newcastle by 1d. a ton; and if the effect of a tax on corn, with a remission of the tax in favour of our colonies or non-competing countries, is to cause a production in these places equal to our requirements, we should be restored to the position we are now in, of importing all our grain free.

As a last word, I should like to remind working men of the danger of delay in the matter of Tariff Reform. It is a recognised fact that trade once lost—and it is being lost through the Protection adopted by the United States and Germany—is lost for ever. Are we going to wait till the steed is stolen before we lock the stable door?

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